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Tesla May Lose Key Revenue Stream If Senate Bill Passes

By Chase Bierenkoven
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A whopping 40 percent of Tesla's income comes from selling emissions credits both in the U.S. and abroad. In the last five quarters, Tesla made a staggering \$3.36 billion off regulatory credits, per *Axios*. That's a huge amount, and these credits, sometimes referred to as "emissions credits," have long been a part of the automaker's business plan. Now, new regulatory measures could put an end to one of the most profitable aspects of the company's business.

Legislative Shifts Threaten Tesla

The federal government awards credits to companies, like Tesla, that exceed the government's emissions standards. These credits can be bought and sold by manufacturers. For example, if Tesla exceeded its emissions standards and was

awarded 10 credits, it could sell eight to Ford, one to Hyundai, and perhaps keep one for itself. These credits are frequently bought by manufacturers like Ford, which has previously purchased them from Tesla as it wasn't able to meet EU emissions regulations at the time.

However, Senate Republicans have proposed ending civil penalties under the Transportation Department's fuel economy rules. Without enforcement of fines and penalties for manufacturers that do not meet emissions standards, the market for carbon credits is effectively ended, Chris Harto, a senior policy analyst at *Consumer Reports*, tells *Axios*.

Who Will Buy Credits When There Are No Rules?

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TopSpeed's Take

Regulatory credits do need to end, but not for the reasons some want them to. With the ability to simply pay their way around emissions standards, automakers are free to build cars that will not comply and sell them, putting them on the road for decades. As climate change worsens, the largest companies in the automotive industry are allowed to skirt emissions even as others work to reduce their carbon footprint.

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