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Threats to Tesla's revenue are piling up

By Ben Geman
9 June 2025

Tesla faces fresh risks to a big income stream: sales of regulatory credits to other automakers under vehicle emissions and efficiency rules.

Why it matters: Tesla's [credit sales](#) were \$595 million last quarter and totaled \$3.36 billion in the five quarters through Q1 of 2025.

- The credits are awarded to companies like Tesla that exceed emissions standards. Producers of gas-powered vehicles buy them to help meet various CO2 and mileage standards.

The latest: Republicans on the Senate's commerce committee late last week [proposed ending](#) civil penalties under the Transportation Department's fuel economy rules.

- It's part of the committee's portion of the budget "reconciliation" bill — the top GOP and White House legislative priority.
- The provision would "modestly" cut auto prices by ending penalties on automakers that now "design cars to conform to the wishes of DC bureaucrats rather than consumers," a [GOP summary](#) states.

The intrigue: "This Senate action would effectively end the market for CAFE credits," Chris Harto, a senior policy analyst at Consumer Reports, tells Axios via email.

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Driving the news: Separately, DOT on Friday issued an ["interpretive rule"](#) that bars consideration of EVs when it sets these mileage rules.

- It's a step toward crafting replacement standards, DOT said.
- This paves the way for less aggressive requirements — and less need for buying credits.

State of play: Several buckets of credits benefit Tesla, the dominant U.S. EV seller.

- EPA emissions standards, Transportation Department fuel economy mandates, and California's ambitious clean cars program all provide opportunities.
- European emissions rules also generate credits.

The big picture: The regulatory credit market was [already facing risks](#) before all the news late last week.

- EPA is planning to rescind Biden-era EPA carbon emissions rules for model years 2027 and onward.
- The House-passed reconciliation bill and the Senate GOP proposal would also nix them. And the House bill pulls back Biden-era DOT mileage rules.
- Both chambers have passed measures that end EPA's approval of California's auto emissions rules.

Threat level: Potential loss of credit revenues comes at a perilous time for Tesla.

- Its sales have slumped in recent quarters, and CEO Elon Musk's rightward turn and alliance with Trump are among the reasons why, analysts say.

- The House plan ends \$7,500 consumer purchase subsidies for EVs under the Democrats' 2022 Inflation Reduction Act.

By the numbers: Credit revenues exceeded Tesla's overall profit last quarter — in other words, it would have been in the red without them.

- Yes, Q1 was atypically weak for Tesla, but consider Q4 of 2024, when Tesla reported \$2.13 billion in profits that were helped along by \$692 million in credit sales.
- In Q3, those numbers were \$2.17B and \$739M, respectively.

Friction point: More broadly, the meltdown of Tesla CEO Elon Musk's relationship with Trump also creates new and unpredictable risks for the billionaire entrepreneur's business empire.

Yes, but: There are plenty of [court battles](#) ahead over Trump 2.0 and GOP policies, including efforts to scuttle California's rules.

The bottom line: "If the administration gets its way on all of its stated policy objectives around vehicle regulations, there will no longer be any market in the US for Tesla's regulatory credits," said Harto.

<https://www.axios.com/2025/06/09/senate-cafe-credits-tesla-revenue>