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Automakers Will Face No Fines for Missing Mileage Targets - and it Will Cost Tesla Billions

By Paul Aisenstein
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Detroit’s Big Three automakers are among those cheering the Trump administrations decision to end penalties for missing federal fuel economy mandates. Not so Tesla, however. The automaker stands to lose billions of dollars in revenues earned selling mileage credits. Headlight.News explains.

As it continues to revise safety and environmental rules covering the auto industry, the Trump administration has signaled it will not hold automakers responsible for missing mileage mandates since 2022.

That stands to save the industry billions of dollars in fines and could free manufacturers up to start rolling out less efficient trucks and SUVs that would have generated still more penalties under Corporate Average Fuel Economy, or CAFE, guidelines. It could also reduce pressure on the industry to expand production of hybrids and all-electric vehicles to offset gas-guzzlers.

While that may be good news to companies like Stellantis, Ford and General Motors which rely on fuel-thirsty pickups and SUVs for the bulk of their earnings, the move could create some serious financial problems for Tesla which has earned billions by selling regulatory credits to help its rivals reduce their exposure to penalties.

BILLIONS IN FINES INSTANTLY GONE

Under CAFE, automakers must hit strict fuel efficiency targets or pay fines that, over the years, have collectively climbed into the billions. Mileage targets increased sharply under Presidents Obama and Biden. And the 2023 increase authorized by Biden was initially forecast to cost automakers \$14 billion in projected fines, Detroit manufacturers accounting for over \$10 billion of that. Revised estimates later brought the collective industry forecast for 2027 through 2031 down to around \$1.8 billion.

Pres. Donald Trump attempted to roll back mileage targets during his first term. He has taken steps to weaken a variety of environmental rules during his second term, among other things stripping California of the ability to set auto emissions targets stricter than federal guidelines. This latest move, authorized under the federal spending bill passed last month, effectively ends penalties for those violating the mileage mandates. In a letter sent last week, National Highway Traffic Safety Administration advised automakers they won't face fines going back to 2022.

The savings are huge, especially for Detroit manufacturers. Stellantis paid \$190.7 million in fines for missing its targets for 2019 and 2020 alone, and \$583 million dating back to 2016. GM paid \$128.2 million in 2016 and 2017. Ford has never paid a penalty under the federal rules — and neither have a number of imports — but that has required the Detroit automaker to tailor its production, holding back

some models, despite strong consumer demand, even while pushing less popular product lines.

A NEW ERA OF GAS GUZZLERS?

The White House move hasn't gone down well with environmentalists.

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They also will be freed up to increase production and sales of gas-guzzlers, other experts said, such as products like the Ram 1500 TRX which, during the 2022 model year, got just 10 miles per gallon in the city and 12 in the EPA combined cycle.

BAD NEWS FOR TESLA

Within the auto industry, there could be some manufacturers hurt by the administration’s new policy on CAFE fines: including automakers who have geared their line-ups to focus on high-mileage products. But the biggest impact will be felt by Tesla.

But the real loser will be Tesla.

Over the years, automakers like GM, Ford and Stellantis have avoided, or reduced, CAFE penalties by purchasing credits from low-emissions brands, notably Elon Musk’s Texas-based EV maker. Such credits helped prop up Tesla during its early years and, by 2023, generated \$1.8 billion in revenue. That climbed to \$2.8 billion last year as federal fuel economy targets rose and demand for large trucks and SUVs grew.

The sale of credits has generated an outcry from both sides of the aisle. U.S. Sen. Bernie Moreno, an Ohio Republican, called the approach “outrageous.” And some more liberal observers felt the process simply gave carmakers a path to avoid complying with mileage standards

There is the possibility that critics will challenge the latest move by the White House in court – as they have a number of other Trump environmental policies. And whoever wins the White House in 2028 could move to reinstate enforcement of the penalties.

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