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White House Hits the Brakes on Fuel Economy Standards

Sean Craig
4 December 2025

In a move officials dubbed a ‘reset,’ the Trump administration said on Wednesday it would gut fuel economy standards, and the rollback was music to the ears of Big Auto executives, who saw immediate gains in the stock market. But what was good for the gas-guzzlers proved to be a high-voltage shock for the electric vehicle (EV) industry.

Lower Your Standards

The Corporate Average Fuel Economy, or CAFE, standards have set average fuel economy targets for new vehicles since 1975. The Biden administration proposed incrementally increasing the requirement to 50.4 miles per gallon by 2031. But the National Highway Traffic Safety Administration under Trump said Wednesday it wants to roll that back to 34.5 miles per gallon.

Detroit's Big Three automakers lined up behind the new proposal, with Ford CEO Jim Farley and Stellantis CEO Antonio Filosa joining President Trump at the White House for an announcement and General Motors representatives also on hand. Trump argued that his predecessor's policy had "forced automakers to build cars using expensive technologies that drove up costs, drove up prices." The NHTSA estimates the revised CAFE standard would slash the average up-front cost of a vehicle by \$900, which the White House said would save Americans \$109 billion over five years. On the other hand, it will boost gas consumption: When the NHTSA announced the earlier 50-mpg requirement, it said Americans would save \$23 billion at the pump. For now, auto shares are accelerating, though not without concern:

- Ford rose 1% on Wednesday, GM 1.4% and Stellantis (which owns Chrysler) 4.6%. Each easily bested the S&P 500's 0.3% advance.
- Climate organizations are, unsurprisingly, worried, partly for economic reasons. Andy Su, a transportation attorney at the Environmental Defense Fund, criticized the proposal for overturning measures he said would reduce American "reliance on imported oil." **Dan Becker, the director of the Center for Biological Diversity's Safe Climate Transport Campaign, said weaker fuel standards "[hamstring] us in the green tech race against Chinese and other foreign carmakers."**

Nothing's Shocking: Ford's Farley said on the company's third-quarter earnings call that US electric vehicle adoption may only reach about 5% in the near term, given rollbacks on EV tax credits. The administration also proposed Wednesday to do away with fuel economy standard credits that could be traded among automakers, which the NHTSA called a "windfall for EV-exclusive

manufacturers.” Somehow, EV stocks were unmoved, as investors still expect their products to continue gaining steam in other markets and, in the longer term, the US. Tesla shares gained 4% on Wednesday, and Rivian’s climbed 1.7%.

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