



June 19, 2019

The Honorable Frank Pallone, Jr.  
Chair, House Energy & Commerce Committee  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
Ranking Member, House Energy &  
Commerce Committee  
2125 Rayburn House Office Building  
Washington, DC 20515

Re: Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards

Dear Chairman Pallone and Ranking Member Walden:

Thank you for the opportunity to submit comments in advance of the June 20 Joint Hearing by the Subcommittee on Consumer Protection and Commerce, and the Subcommittee on Environment and Climate Change of the Committee on Energy and Commerce, entitled "Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards."

Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges. Ceres is also home to a policy advocacy network of companies known as BICEP – Business for Innovative Climate and Energy Policy. BICEP is a network of 53 major companies across the United States that recognize the economic risks from climate change and believe that strong and effective policies are necessary to tackle the problem.

Businesses and investors have consistently expressed strong opposition to the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule proposed by the Environmental Protection Agency (EPA) and the National Highway Safety Administration (NHTSA) which, by weakening the current standards, would diminish the global competitiveness of the U.S. auto industry, increase business and consumer fuel costs, exacerbate the significant economic costs associated with climate change, and enhance the economic and energy security risks associated with oil dependence.

Throughout the rulemaking process, businesses and investors have urged the Administration to either retain the current standards or negotiate with California to come to agreement on a solution that, unlike the proposed rule, would serve the interests of business, consumers, California and the 13 other states that have adopted its standards, and the auto industry. In addition, given the Administration's failure to engage with California, they have urged automakers to negotiate directly with California. These businesses and investors (along with the

majority of automakers),<sup>1</sup> recognize that the improper revocation of California’s waiver authorizing it to enact vehicle emission standards would result in additional extensive litigation<sup>2</sup> and regulatory uncertainty, and is clearly not in the interest of the industry or consumers. In addition, revocation of the waiver would eliminate a major driver of industry innovation and undermine states’ rights to ensure clean air for their citizens.

Businesses and investors have expressed these views in a variety of forums; including through public comments,<sup>3</sup> op-eds,<sup>4</sup> and direct engagement with automakers through letters and shareholder resolutions.<sup>5</sup>

Ceres has commissioned analyses making the economic case for strong standards, and rebutting claims that strong standards would make cars unaffordable for median and low-income consumers. An [analysis](#) commissioned by Ceres and produced by independent automotive industry analysts compares the economic impacts of the preferred alternative of the proposed rule - which would freeze the standards at MY2020 levels through 2026 - with the current standards as set forth in 2012. The analysis finds that automotive suppliers – the largest U.S. manufacturing sector - would be especially disadvantaged under the preferred alternative, and stand to lose \$20 billion between 2021-2025 in sales of fuel-efficient technologies. The analysis also found that the standards also serve as a form of insurance against the loss of U.S. automaker market share in the event of fuel price spikes,<sup>6</sup> particularly as the U.S. automakers move toward a fleet primarily comprised of larger, less efficient vehicles.

The proposed rule would also undermine the broader economy; a recent [Synapse study](#) found that increased spending on fuel (resulting in decreased spending on generic consumer goods and services), coupled with a reduction in technological investments in the auto industry, will result in 120,000 fewer job-years in 2035 and reduce gross domestic product (GDP) by \$8 billion as compared to the current standards.

Similarly, an [analyst note](#) regarding automakers’ financial performance underscores the

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<sup>1</sup> <https://www.nytimes.com/2019/06/06/climate/trump-auto-emissions-rollback-letter.html>

<sup>2</sup> Twenty states and DC have joined a state lawsuit challenging the standards.

<sup>3</sup> Examples attached.

<sup>4</sup> Op-eds opposing weakening the standards include the following: **NYC Comptroller** Scott Stringer, [CNBC op-ed: “Ford, GM Should Support Strong Standards,”](#); David Richardson, **Impax Investment Management**, [“Fuel Efficiency Standards Put the Economy’s Foot on the Gas”](#) *The Hill*; **Ikea** and Ceres, [“Clean Car Standards are Good for Pennsylvania Businesses and Consumers](#), *Philadelphia Inquirer*; Anthony Foxx, **Lyft**. [“Lyft Chief Policy Officer: We’re Facing a Climate Crisis While the Government Looks the Other Way”](#), *CNN Business*; David Richardson, **Impax Investment Management**, [Commentary: How Rolling Back Fuel Standards Could Crush American’s Auto Industry](#),”

<sup>5</sup> [GM Faces Increased Pressure from Investors on Climate](#), *E&E*; “Investors Want Climate Action,” *Politico*; [“GM Shareholders’ Letter to Mary Barra Demands Stronger Stance on Fuel Economy”](#), *Detroit Free Press*. Examples of letters and resolutions attached.

<sup>6</sup> IEA predicts a spike in oil prices in the early 2020s due to decreased investment by the industry.

importance of retaining or strengthening the current standards. The analysis found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards would help enhance the competitiveness of the U.S. auto industry. Given the importance of operating costs in ride sharing platforms, and the synergy between autonomous vehicles and electrification, leadership in fuel efficiency and electrification is key to success in this new era. We are also seeing a global policy shift toward more stringent fuel economy and clean vehicle policies.<sup>7</sup> For example, China, the world's largest car market, has emerged as a global leader in the electric vehicle market due to strong policies; in 2018, we saw sales of over 1 million electric vehicles,<sup>8</sup> or 8.1 percent of its light duty vehicle market, as compared to the 386,000 electric vehicles, or about 2 percent of the market, which were sold in the U.S.<sup>9</sup> The United States should position itself to compete in this new world by retaining or strengthening the current standards, which, while they do not require significant deployment of electric vehicles,<sup>10</sup> drive innovation and investment in the technologies needed to succeed in this new era.

An independent [affordability analysis](#) refutes automakers' claims that the standards are making vehicles unaffordable for median and low income consumers. While today's new vehicles are certainly less affordable for these consumers, that is not due to the standards, which represent only a modest portion of upfront costs (and of course ultimately provide net benefits). Instead, that reflects the growing income disparity in the U.S. as well as automakers' decision to target affluent buyers by emphasizing luxury features (the average buyer of new vehicles, whose income is 175 percent of the median U.S. household, is clearly willing to pay for those features as well as fuel efficient technologies). As a result of this increased focus on high end vehicles, an increasing number of median and lower income consumers are migrating to the used car market, where strong standards ensure the availability of fuel-efficient vehicles and consumers pay less for fuel saving technology. Thus, rather than being disadvantaged by the current standards, median and low-income households would see even greater benefits.

Finally, strong standards will serve to mitigate the economic risks associated with our continuing dependence on oil as well as climate change. First, in light of the volatility of fuel prices, strong standards are needed in order to reduce transportation costs for businesses and consumers. As a result of a shift in fleet mix to larger vehicles, overall fuel economy has plateaued, which highlights the importance of preserving the standards in order to ensure fuel cost savings and reduce our dependence on oil. Second, the recent IPCC special [report](#) underscores the urgency of addressing GHG emissions from the transportation sector in the

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<sup>7</sup> [https://www.theicct.org/sites/default/files/publications/ICCT\\_US-China\\_EV-mkt-comp\\_20190523.pdf](https://www.theicct.org/sites/default/files/publications/ICCT_US-China_EV-mkt-comp_20190523.pdf)

<sup>8</sup> Battery electric and plug in hybrid electric vehicles.

<sup>9</sup> <https://insideevs.com/news/347306/over-1-million-plugin-cars-sold-china/>

<sup>10</sup> Note that California's ZEV program, which is at risk given the Administration's threat to revoke its waiver, has been adopted by nine other states representing over 30% of the U.S. car market, and is a critical driver of EV deployment.

near term, which is the largest U.S. source of GHG emissions. It is clear that climate change presents significant long-term risks to U.S. businesses as well as the global economy, and that strong standards are critical to mitigating those risks.

Thank you for taking our comments under consideration.

Carol Lee Rawn  
Senior Director, Transportation  
Ceres

cc: House Energy & Commerce Committee Members