Statement for the Record of John Bozzella
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The Association of Global Automakers, Inc. ("Global Automakers") appreciates the opportunity to submit the following Statement for the Record on the House Committee on Energy and Commerce Subcommittees on Environment and Climate Change and Consumer Protection and Commerce hearing entitled "*Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards*." Global Automakers represents the U.S. operations of international motor vehicle manufacturers, original equipment suppliers, and other automotive-related companies and trade associations. Our companies are technology leaders, bringing a wide range of fuel-efficient technologies for gasoline, plug-in, battery-electric, and fuel cell electric cars and trucks, and innovating in the areas of connected and automated technologies as well.

The auto industry today is dealing with profound transitions and enormous uncertainties: a possible global economic slowdown, a tightening world and U.S. auto market, and trade disputes and restrictions, all during a time when massive investments are needed for electrified and automated transportation. At the same time, the auto industry is experiencing significant headwinds. Sales volumes appear to have peaked at 18.1 million in 2016 and are down slightly over the past two years, and customers are taking out more extended loans to finance increasing vehicle prices, with the average vehicle transaction price at $36,000 today.

The future of motor vehicle fuel economy and greenhouse gas (GHG) emission standards is one of the most important policy challenges facing the industry today. Yet, the outcome of the pending Safer Affordable Fuel-Efficient (SAFE) Vehicles final rule represents significant uncertainty and potential complication for our industry.

This issue, in fact, remains so important that 17 automakers came together and submitted letters to President Trump and Governor Newsom earlier this month, urging a final rule that continues the industry's significant progress in improving motor vehicle fuel economy while giving auto companies the flexibility and incentive to invest in next-generation fuel-saving technologies. These companies seek a single nationwide regulatory framework that will be streamlined, efficient and ease compliance burdens. Ideally this would result from continued discussions between the federal Administration and California with both sides willing to compromise. But even if that is not possible, we still feel that a rule can be finalized that accomplishes these important policy goals. This issue is too important to the industry not to get right, and millions of American workers and consumers are counting on the Administration and California to strike the right balance.

In 2017, Global Automakers and our members asked for a fresh look at the fuel economy and GHG standards that had been promulgated in 2012 and hastily reaffirmed in final days of the previous administration. Those standards need to be adjusted to account for fundamentals in the marketplace that have significantly changed in the intervening years. We detail these in many of our submissions to EPA and NHTSA over the past couple of years. Of note, our industry is seeing:

- Lower than expected gasoline prices (in 2012, the Energy Information Agency (EIA) reference price forecast of $3.86/gallon for gasoline in 2025 (in 2010 dollars), and now the projected price is $2.92/gallon (in 2016 dollars);
- Changes in the car and truck fleet splits (in 2012, the projected car/truck split was 67%/33% for MY 2025, but the current car/truck split has changed significantly to 48.5% cars/51.5% trucks);
- Smaller-than-predicted fuel efficiency gains in MY 2016 and MY 2017; and
- An uptake of advanced-technology vehicles—such as hybrid vehicles (HEVs), battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell electric vehicles (FCEVs)—that is slower than necessary to meet the aggressive standards for the latter years of the program.

We therefore agreed with the Administration's decision to undertake an up-to-date review of the standards and have engaged in the rulemaking that followed. Throughout the process, Global Automakers has advocated for a smart, balanced regulatory approach that achieves the following important policy goals:

- One national program covering all 50 states, including California;
- Meaningful and achievable annual improvements in fuel economy through the 2025 model year; and
- Regulatory provisions that will enable the U.S. to continue its leadership in advanced powertrain technologies.

The motor vehicle fuel economy and GHG emission program dates back to 2009. At the time, the industry was facing an economic downturn coupled with the potential of having to meet fuel economy and greenhouse gas standards separately for EPA, NHTSA and the state of California and its followers. There was then a broad recognition that the best path forward was one that brought all parties together into a unified program. This led to One National Program, in which the three agencies coordinated on forward-looking regulations that provided for single nationwide compliance. It also resolved for the time being litigation concerning whether California has separate authority to regulate motor vehicle GHG emissions and fuel economy. The result was a win-win for all parties.

Having one national program that includes the state of California is of paramount importance. Having to comply with overlapping and conflicting regulations is wasteful because it drives up costs for manufacturers and consumers. It also yields no additional environmental benefits while causing sales distortions throughout the country -- meaning that cars and trucks sold in Texas or Virginia might have to be different from those sold in California or Rhode Island, with the former subsidizing the latter.

Today, we find ourselves facing the prospects of precisely that scenario. Global Automakers was therefore disappointed to learn several months ago that discussions concerning the future standards between the federal Administration and California had broken off. We understand that both sides have firmly-held policy positions—California wants to maintain the current standards despite the clear need to make adjustments to them, and the federal Administration wants to significantly roll them back despite the clear need to continue the industry's progress in improving efficiency and to maintain

American leadership in innovation. Unfortunately, the auto industry finds itself caught in the middle and stands to pay the price for any inability to find common ground.

Global Automakers has therefore urged the federal Administration and California to adopt a middle-ground approach that will maintain One National Program. This would be far preferable to the course we appear to be on now, which would result in separate federal and California standards and years of costly litigation concerning California's authority to regulate in this space. It would meet the Administration's goals of reducing regulatory burdens and costs, while also meeting California's goal of achieving greater GHG reductions than would be possible under a bifurcated system. It would also support American leadership in the research and development of advanced technology vehicles and strengthen the competitive position of the U.S. auto industry.

This middle-ground would essentially split the difference between the Administration's proposal from last summer to freeze fuel economy and GHG emissions standards after the 2021 model year, and California's preferred approach of requiring annual improvements of around 5% per year through the 2025 model year. It would also maintain important regulatory mechanisms that incentivize investment and deployment of advanced powertrain technologies.

Fleet-average fuel economy has improved more than 11 percent since 2011, from a combined average of 29 miles per gallon to 32.2 miles per gallon. In recent years, though, there seems to have been a levelling off, as gas prices fell and consumers switched to different, often larger, vehicles. Despite changes in the marketplace, our companies are proud of the progress made to date and believe it should continue under a level regulatory playing field.

At the same time, automakers have made enormous commitments to the electrification of their fleets. Between now and 2023, automakers will invest over $255 billion in electrification. Worldwide, there is intense competition for global leadership in battery-electric and fuel cell electric vehicles, with China leaping to the front as the largest market for, and largest producer of, electric vehicles. Assuring American leadership in this important industry requires the type of support at the federal level that will spur innovation and in the U.S. auto industry and attract investment from our important trading partners. The fuel economy and GHG rulemaking provides an important opportunity to do so.

Continued U.S. leadership in this area depends on several factors. Manufacturers need to be able to meet market demands so that they continue to have capital to invest in future technologies. The regulatory regime should allow for compliance tools that encourage and reward innovation in advanced technologies.

However, we know from experience that sales mandates are not the answer. Eight Northeast states have adopted California's Zero Emission Vehicle (ZEV) Mandate, yet their sales are below the national average. Rather, ongoing federal and state policies are needed to encourage advanced technologies and address ongoing market barriers. Currently, there are bipartisan groups of lawmakers from both chambers who have introduced bills which would do just that. Congressman Dan Kildee's (D-MI) *Driving America Forward Act* (H.R. 2256) updates the plug-in electric vehicle tax credit which incentivizes the purchase of electric vehicles, while also extending the tax credit incentivizing the purchase of hydrogen fuel cell vehicles for ten years.

In addition to provisions in the tax code that incentivize the purchase of electric vehicles, investments in recharging and refueling infrastructure are also critical to further electrification of the automotive sector. Rep. Mark DeSaulnier (D-CA), for example, has introduced the *Clean Corridors Act* (H.R. 2616) which creates a grant program under the *FAST Act* for eligible entities to receive funds to build out the refueling and recharging infrastructure for both plug-in battery and fuel cell electric vehicles. Just recently, the Energy and Commerce Committee held its own hearing on the *LIFT America Act* which contains provisions that would also help to expand alternative fuel infrastructure and the use of electric vehicles. Policies such as these are needed to help guide automaker investment and ensure a smooth transition for customers driving electric cars.

In conclusion, there is still an opportunity to adopt a harmonized set of regulations that will improve fuel economy and reduce GHG emissions and does so in a manner that is cost-effective and accounts for the needs of customers. Global Automakers believes that a middle ground approach achieves these objectives. We appreciate this Committee's continued interest and support, and we look forward to working with you on this critical issue.