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Four automakers, California strike compromise on vehicle emissions

Trump administration dismisses deal as 'PR stunt'

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Under a deal with Ford, BMW, Volkswagen and Honda, fuel economy requirements in the most populous state would increase at a nationwide average annual rate of 3.7 percent annually starting with the 2022 model year, and reach 50 mpg by 2026, or one year later than targets set under the Obama administration. The Trump administration called it a "PR stunt."

WASHINGTON -- Four major automakers said they reached a voluntary agreement with the state of California on fuel efficiency rules, bypassing a Trump administration effort to strip the state of the authority to fight climate change by setting its own standards.

California and other states had vowed to enforce stricter emissions standards put in place by the Obama administration after President Donald Trump proposed rolling back the federal rules. Automakers had worried that years of court battles between the state and federal governments could create uncertainty for manufacturers.

The California compromise proposal is more stringent than Trump's proposal but looser than the Obama-era rule.

The Trump administration quickly dismissed the move.

"Today's announcement from CARB has no impact on EPA's regulation of greenhouse gas emissions under the Clean Air Act," Michael Abboud, an EPA spokesman, said in an email. "This voluntary framework is a PR stunt that does nothing to further the one national standard that will provide certainty and relief for American consumers."

California, the most populous U.S. state, accounts for about 12 percent of U.S. vehicle sales, and if the administration recognizes the deal it would allow automakers to operate under one set of national rules.

"Ensuring that America's vehicles are efficient, safe and affordable is a priority for us all," Ford Motor Co., BMW AG, Volkswagen Group and Honda Motor Co. said Thursday in a joint statement. They said the accord could help maintain a nationwide set of fuel efficiency requirements.

Seeking regulatory certainty

The automakers "didn't want to face the expense, distraction and the bad publicity that comes from being part of a big rollback on clean cars," Mary Nichols, who chairs the California Air Resources Board, told Reuters in an interview on Wednesday. She said the companies sought regulatory certainty and had agreed not to legally challenge California's vehicle regulatory authority.

Nichols said other automakers could also adopt the compromise if they choose. Fiat Chrysler Automobiles said in a statement the deal demonstrates the Obama era rules needed revising but added it "looked forward to reviewing the details of this agreement."

General Motors, in its statement, reiterated its ongoing efforts to seek "zero crashes, zero emissions, and zero congestion."

"The pathway includes continuously improving fuel economy and our commitment to an all-electric future," the statement to Reuters said. "Our focus remains on working with all parties on a solution that would involve a 50-state solution and a national electric vehicle program."

.@gm statement on California automakers agreement pic.twitter.com/JzSIDC8ve5

– David Shepardson (@davidshepardson) [July 25, 2019](#)

The Trump administration in August 2018 proposed revoking California's right to impose state emissions standards or require more electric vehicles. The administration argued that federal law preempts states from setting their own rules.

Under Trump, federal regulators backed freezing emissions requirements for new cars and trucks at 2020 levels through 2026. The proposal by the EPA and NHTSA is not expected to go to the White House for final review for at least several more weeks, people briefed on the matter said.

Nichols said that if the administration moves forward with that plan, California "will continue to enforce our regulations and pursue legal challenges to the federal rule."

The White House did not immediately comment on the California deal with the automakers. NHTSA said in a statement it will keep working to finalize the regulation, and that its proposal "contained no language that would prevent any auto manufacturer from designing and building next-generation highly fuel-efficient vehicles."

The Obama-era rules adopted in 2012 called for a fleetwide fuel efficiency average of 46.7 mpg by 2025, with average annual increases of about 5 percent, compared with 37 mpg by 2026 under the Trump administration's preferred option.

California's compromise with the automakers would increase stringency of the requirements at a nationwide average annual rate of 3.7 percent starting in the 2022 model year through 2026, and 1 percent of that annual improvement could be covered by credits awarded for building electrified vehicles.

The deal extends credits for building electric, plug-in hybrid and hydrogen fuel vehicles and also hikes the cap for winning credits for fuel efficiency improvements not captured by

traditional testing. California agreed to remove a requirement to account for upstream emissions of fuels.

"A 50-state solution has always been our preferred path forward and we understand that any deal involves compromise," the automakers' statement said. They said the deal gives "regulatory certainty by allowing us to meet both federal and state requirements with a single national fleet, avoiding a patchwork of regulations while continuing to ensure meaningful greenhouse gas emissions reductions."

Letter to Trump

On June 6, 17 major automakers wrote a letter to Trump and California Gov. Gavin Newsom seeking to revive talks to avoid "an extended period of litigation and instability." The White House rejected that effort and automakers and California launched private talks.

Democrats in Congress hope the agreement could lead to a resolution. U.S. Sen. Tom Carper, D-Del., urged all automakers "to seize this important opportunity" and added he hoped the "administration will abandon its efforts which are reckless, illegal and bound to send the automotive sector into years of litigation and economic disarray."

Automakers credited Trump with reopening the requirements after the Obama administration in its final weeks had sought to lock them in through 2025. In White House meetings, they have urged Trump officials to reach a deal.

Nichols said the compromise would allow the White House to declare "victory" because it "slowed down the pace" of required fuel economy improvements. She added California is getting "substantially the same results in terms of getting cleaner cars onto the road but it makes it happen a year later."

Newsom said in a statement that the deal will "make the air cleaner and safer for us all... I now call on the rest of the auto industry to join us, and for the Trump administration to abandon its regressive proposal and do what is right for our economy, our people, and our planet."

A dozen U.S. states have adopted California's vehicle emissions rules covering more than a third of all U.S. sales.

Reactions

“It’s a real breakthrough,” said Dan Lashof, director of environmental group World Resources Institute. “I think this is a testament to California’s steadfast determination to make sure we are continuing to make progress on what’s now the biggest source of global warming pollution in the U.S. which is the transportation sector.”

Tom Pyle, president of the American Energy Alliance, a free-market advocacy group that backs the Trump administration’s plan, said the deal is unlikely to derail the overall direction the Trump administration’s plan.

“The autos are attempting to put further pressure on their brethren and the Trump administration to negotiate with California. That’s all this is,” Pyle said. “At the end of the day this deal doesn’t matter because we don’t see a situation where California wins in court.”

Bloomberg contributed to this report.

Inline Play

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