VOLVO

Volvo Car Corporation

Comments to the National Highway Traffic Safety Administration

Regarding

Corporate Average Fuel Economy Standards for Model Years 2024-2026 Passenger Cars and Light Trucks

Docket ID No.
NHTSA-2021-0053

October 26, 2021

Introduction
Volvo Car Corporation (Volvo Cars) is pleased to provide the enclosed comments in response to the U.S. Department of Transportation (DOT) National Highway Traffic Safety Administration (NHTSA) proposal to revise Corporate Average Fuel Economy (CAFE) standards for model years 2024-2026 light-duty vehicles. Volvo Cars is a member of the Alliance for Automotive Innovation (Auto Innovators) and so Volvo Cars supports the comments submitted by the Auto Innovators. The comments provided herein supplement those of the Auto Innovators.

Volvo Car Corporation
Volvo Cars is headquartered in Gothenburg, Sweden and was founded in 1927. Volvo Cars has been doing business in the United States since 1955 and currently has 282 dealers in 48 states that employ approximately 10,285 people collectively. In 2020, Volvo Car USA (VCUSA), based in Mahwah, New Jersey, sold 110,129 cars. VCUSA has 2,050 direct employees in the United States, including 370 employees in New Jersey, 185 employees in California. In South Carolina, Volvo Cars employs approximately 1,500 people.

Volvo Cars produces premium-segment car models in three versions: sedans (S60, S90), versatile estates (V60, V90) and sport utility vehicles ("SUVs") (XC40, XC60, XC90). In 2020, Volvo Cars had global sales of 661,713 cars in about 100 countries.

Volvo Cars has historically produced automobiles in Europe since 1927 but we have expanded our global footprint. In 2015, Volvo Cars announced its first U.S. manufacturing facility just outside of Charleston, South Carolina which became operational in 2018. The plant is an integral part of Volvo Cars' global manufacturing footprint, serving the U.S. and export markets. The South Carolina plant was the first all-new auto manufacturing facility to open in the United States in almost a decade. Located on 1,600 acres, the facility has 2.3 million square feet of building space and the capacity to produce up to 150,000 cars per year.

In June of this year, Volvo Cars announced an additional $118 million investment in the South Carolina plant to build the Polestar 3 under contract for its affiliate, Polestar Cars. Polestar 3 will be built with Volvo Car Group's next generation electric architecture. The total industrial investment in the US plant will now be approximately $1.2 billion and it underlines Volvo Cars long-term commitment to the United States as a key market.

Electrification
Volvo Cars shares the Biden administration goals to advance sustainability and electrification. Volvo Cars wants to lead the transition to zero tailpipe emission mobility and our plan is to be a fully electric car company by 2030. Our goal is to be climate neutral by 2040, in line with the Paris Agreement. Therefore, Volvo Cars supports the Administration's goals of an electric vehicle future and lower emissions year over year.

Volvo Cars is committed to electrification and every new Volvo model launched since 2019 has had an electric motor. Over the next four years, Volvo Cars is launching a fully electric car every year and our aim is to make all-electric cars 50% of global sales by 2025, with the rest hybrids. Globally, VCC has committed to putting one million electrified cars on the road by 2025.

Volvo Cars has consistently stated that the goal of achieving one single national harmonized program (California, EPA and NHTSA) is the preferred path forward to increase fuel economy and lower emissions year over year. However, in 2020 a harmonized national program consistent with Volvo Cars global electrification strategy and climate neutrality goal was not in place. In 2020, Volvo Cars signed onto the California Voluntary Agreement and Volvo Cars is pleased that this framework has now served as a national path forward for the current federal proposed rule.

However, Volvo Cars believes regulatory consistency, and a clear federal framework are necessary to effectively and efficiently enable the auto industry to develop more efficient vehicles and to advance the market for advanced technology vehicles. Multiple vehicle regulatory programs at the Federal and State level that require separate and duplicative reporting, accounting, and testing are inefficient and increase uncertainty in the market.

The US should work to minimize disparities between EPA (GHG) and NHTSA (CAFE) regulations and California regs. The program should reduce reporting requirements by allowing manufacturers to demonstrate compliance at the end of the year for all programs. The current multi-agency credit programs end up rewarding automakers moving slowly to electrify their fleet verses automakers that are moving more rapidly to electrify. This disparity in the agency programs maybe an unintended consequence, but we request that NHTSA does their part to ensure that this unintended consequence does not occur.

Compliance reporting should be consolidated so that it is **one report for one agency** and that agency determines compliance (so reciprocal recognition). Currently, there are separate assessments for each program, and this is unnecessary and especially burdensome for smaller manufacturers like Volvo Cars.

Electrification and US Govt Role

According to consumer research studies, US customers still have some hesitancy with respect to electric vehicles. Several factors play into this hesitancy including cost, range anxiety, low gas prices, lack of infrastructure, and/or lack of awareness of the benefits. So it is clear policymakers and automakers need to continue to educate consumers and pursue policies that incentivize and encourage EV purchases.

It is essential that the US government pursue policies that encourage and develop the US electric vehicle market via federal and state incentives. Also, government support for infrastructure development is critical. If incentives and infrastructure are not in place, the US will not grow the EV market and US EV production and thus the US will likely risk achieving the broader climate change goals.

In order to achieve, the Administration's goals of 40 to 50% EVs by 2030, EV incentive policies must be non-discriminatory, provide equal treatment for all manufacturers and afford all consumers the broadest choice of vehicles for all models and price points. Volvo Cars is very concerned about the recent Senate Finance Committee and House Ways and Means Committee action on EV incentives. These proposals severely limit consumer choice and thus adoption of EVs, and so if implemented they would significantly hinder the Administration's climate change goals.

Volvo Cars is encouraged by the current plans to add electric charging stations. This is a great initiative to support wider adoption of EVs in the US. Such an initiative would also create economic stimulus and support the US economic recovery following the COVID-19 pandemic.

Electrification and Credit Trading

Volvo strongly supports more credit trading with more transparency so that buyers and sellers can achieve fair and reasonable deals. Furthermore, future regulations leading to the auto industry's electrification targets may lead to a change in current trading market where technology exchange as part of a trade is less likely to occur and therefore, the price of a credit in a trade will be more accurately reflected.

One reason why some automobile manufacturers suggest that the proposed reporting associated with traded CAFÉ credits under this NPRM is unnecessary is that the current trading market has been "functioning properly" but it has been functioning under existing traditional internal combustion engine regulations. Once the regulations are modified for electric vehicles the balance between monetary and non-monetary trades may change. Therefore, Volvo Cars supports NHTSA's proposal to require use of the NHTSA "Credit Value Reporting Template" (Form 1621) when a credit trade is executed is to help ensure that the future electrified trading market also functions properly.

Conclusion/Recommendations

The automotive industry is currently undergoing significant changes driven both by technology shifts, digitalization and changing consumer behaviour. Volvo Cars is fully committed to promoting and advancing technology on electrification, connectivity, mobility services and autonomous driving (AD). But many uncertainties remain (tariffs, infrastructure, incentives) so government should pursue policies that encourage auto industry investment and jobs, development of the electric vehicle market and advancement of motor vehicle safety. With the right complementary government policies, this rulemaking presents an opportunity for government and industry to pursue these shared goals.