

September 15, 2022

National Highway Traffic Safety Administration  
U.S. Department of Transportation  
West Building Ground Floor, Room W12-140  
1200 New Jersey Avenue SE  
Washington, DC 20590-0001

RE: Hyundai's Comments to the Notice of Intent to Prepare an Environmental Impact Statement for Model Years 2027 and Beyond Corporate Average Fuel Economy Standards (NHTSA-2022-0075)

Dear Acting Administrator Carlson:

Hyundai Motor America ("Hyundai") is pleased to have the opportunity to provide scoping comments on NHTSA's notice of intent to prepare an environmental impact statement ("EIS") for upcoming model years 2027 and beyond Corporate Average Fuel Economy ("CAFE") standards.<sup>1</sup> Pursuant to the Energy Policy and Conservation Act, ("EPCA"), NHTSA is required to issue a final rule for model year ("MY") 2027 CAFE standards no later than April 2025,<sup>2</sup> and, pursuant to Executive Order 14037 ("Strengthening American Leadership in Clean Cars and Trucks"), the new standards are expected by July 2024.<sup>3</sup> NHTSA issued the Notice of Intent in accordance with the National Environmental Policy Act ("NEPA") review process to seek comment on the scope of considerations to be addressed in the NEPA analysis and EIS, including the scope of alternatives to be considered and significant environmental effects relating to more stringent CAFE standards. We appreciate that the agency is seeking scoping comments well in advance to identify potential issues, alternatives, and impacts to be considered before undergoing the environmental review of the forthcoming proposed rule.

Hyundai builds and sells a full suite of clean powertrain vehicles including hybrid ("HEV"), plug-in hybrid ("PHEV"), battery ("BEV"), and hydrogen fuel cell ("FCEV") electric vehicles ("EV"). Hyundai has been, and continues to be, committed to early and ongoing significant investments into battery and hydrogen fuel cell technology because it understands that no single technology is the solution to achieving zero emissions. In particular, Hyundai has committed to opening its first dedicated full EV and battery manufacturing facilities in Georgia in 2025, in its efforts to establish a more stable supply chain and provide a strong base for U.S.-based EV production.<sup>4</sup>

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<sup>1</sup> NHTSA, [Notice of Intent to Prepare an EIS for MY2027 and Beyond CAFE Standards and MY2029 and Beyond Heavy-Duty Pickup Truck and Vans Vehicle Fuel Efficiency Improvement Program Standards](#) (Aug. 16, 2022) [hereinafter "Notice of Intent"].

<sup>2</sup> See 49 U.S.C. § 32902(a) (requiring standards to be prescribed at least 18 months before the beginning of each model year).

<sup>3</sup> See Executive Order 14037, Strengthening American Leadership in Clean Cars and Trucks (Aug. 5, 2021).

<sup>4</sup> Press Release, [Hyundai Motor Group to Establish First Dedicated EV Plant and Battery Manufacturing Facility in the U.S.](#) (May 20, 2022).

Hyundai supports NHTSA's efforts to analyze potential alternatives and environmental impacts related to a forthcoming rulemaking proposal for MY2027 and beyond CAFE standard. We provide the following comments for consideration during the agency's NEPA review, including specific comments on additional alternatives that should be considered as NHTSA proceeds with the upcoming rulemaking and environmental review.

#### **I. Considerations for the Effects on the Human Environment and Environmental Justice**

As described further below, Hyundai strongly encourages NHTSA to consider developing an optional program that provides additional credits or flexibilities to manufacturers who target higher fuel economy vehicle distribution in communities of color, tribal communities, and other historically underserved communities. NHTSA issued the Notice of Intent in accordance with the NEPA review process. Specifically, NHTSA is seeking comment on the scope of the NEPA analysis, including the range of alternatives and significant environmental issues that should be considered as NHTSA proceeds with developing more stringent CAFE standards and preparing the related EIS. The NEPA process, and specifically the EIS, is an appropriate and, indeed, critical opportunity for NHTSA to consider environmental justice ("EJ") and effects of its proposed action on EJ communities—i.e., communities of color, tribal communities, and other disadvantaged, underserved, or historically marginalized communities that often absorb negative environmental effects.

During the NEPA process, agencies, including NHTSA, are increasingly encouraged to consider environmental justice and effects on minority and low-income communities. President Biden reaffirmed this administration's commitment by calling for agencies to make achieving EJ part of their missions to develop policies that address significant, adverse effects on EJ communities.<sup>5</sup> In addition, the Department of Transportation ("DOT") released its EJ Strategy in 2016 which articulates the agency's commitment to incorporating EJ into all DOT programs, policies, and activities, including rulemakings.<sup>6</sup> The presidential memo associated with President Clinton's Executive Order 12898<sup>7</sup> further specifies the importance of using the NEPA review process to promote EJ and consider environmental effects, such as human health, economic, and social effects, of actions or policies when required by NEPA.<sup>8</sup> Consistent

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<sup>5</sup> Executive Order 14008, [Tackling the Climate Crisis at Home and Abroad](#) (Jan. 27, 2021). The Executive Order refers to securing environmental justice for disadvantaged communities—or those that are historically marginalized and overburdened. Generally, EJ refers to the fair treatment and involvement of all individuals, regardless of race, ethnicity, income, national origin, etc. with respect to enforcement of environmental laws and policies. See [DOT Environmental Justice Strategy \(November 15, 2016\)](#).

<sup>6</sup> [DOT Environmental Justice Strategy \(November 15, 2016\)](#) (explaining environmental justice as ensuring opportunities for minority and low-income communities to influence the transportation planning process and decision making through meaningful engagement).

<sup>7</sup> [Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations](#) (Feb. 11, 1994) (describing the environmental justice strategy as identifying and addressing "disproportionately high and adverse human health or environmental effects of its programs, policies, and activities on minority populations and low-income populations.").

<sup>8</sup> [The White House, Memorandum Re Executive Order on Federal Actions to Address Environmental Justice in Populations and Low-Income Populations](#) (Feb. 11, 1994). See also [EPA, Memorandum Re](#)

with goals from prior Executive Orders and DOT policies, we encourage NHTSA to consider alternatives that will benefit EJ communities and fully analyze the impacts of those proposed actions that do not.

## **II. Consideration of Additional Alternatives**

NEPA requires considering a reasonable range of alternatives for analysis in the EIS. When considering the maximum feasible level of stringency for CAFE standards, NHTSA will consider four statutory factors: (1) technological feasibility, (2) economic practicability, (3) effect of other standards on fuel economy, and (4) the need of the U.S. to conserve energy.<sup>9</sup> In so doing, the Notice of Intent indicates that the agency will also consider energy conservation and environmental factors.<sup>10</sup> Additionally, in evaluating the range of alternatives for establishing new CAFE standards, Hyundai encourages NHTSA to consider alternatives that have lower impact on, and in fact benefit, EJ communities.

More specifically, Hyundai suggests NHTSA consider developing and evaluating an optional program that would allow a manufacturer to earn some type of value or flexibility – whether that includes an additional type of credit or a higher flexibility cap– for vehicles that benefit EJ communities. The availability of additional credits could be structured similarly to the current off-cycle credit program.

NHTSA is well-suited to explore this proposed alternative, given the agency’s precedent for such additional types of optional credits or flexibilities. In particular, NHTSA previously implemented flexibilities such as A/C credits and off-cycle credits as part of the CAFE program.<sup>11</sup> The optional credits could be based on the placement of certain vehicle types in programs intended to provide verifiable benefits to EJ communities and could be equivalent to a corresponding EPA program that generates GHG credits. Similar to the off-cycle program, these credits could be converted/adjusted to apply to a manufacturer’s fuel economy fleet performance.

Hyundai encourages NHTSA to consider such alternatives that will allow manufacturers the option to earn additional credits for focusing on vehicle development and deployment programs that benefit EJ communities. For example, under another such alternative, a manufacturer could earn additional credits through a program comparable to the off-cycle program. Proposed additional “EJ credits” could apply to EVs, PHEV, HEVs, and better-performing combustion engines, such as super-ultra low emission vehicles (“SULEVs”) providing verifiable benefits to EJ communities. As part of the comment process on

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[Addressing Climate Change and Environmental Justice through Reviews Conducted Pursuant to the National Environmental Policy Act and Section 309 of the Clean Air Act](#) (April 26, 2022) (“Under NEPA and CAA Section 309, EPA regions engage early with federal agencies in the scoping and drafting of their NEPA documents to help ensure the meaningful involvement of communities with environmental justice concerns, reduce adverse environmental impacts, consider alternatives, and improve environmental outcomes.”).

<sup>9</sup> [49 U.S.C. 32902\(f\)](#).

<sup>10</sup> Notice of Intent, at 50,389.

<sup>11</sup> NHTSA, Final Rule, [2017 and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards](#), 62,624 ,63,134-36 (Oct. 15, 2012).

NHTSA's forthcoming NPRM, Hyundai intends to provide more specific suggestions for implementation of such alternatives.

At this early scoping stage, we encourage NHTSA to consider and evaluate such alternatives that create an incentive for high-performing fuel economy and advanced technology vehicles that benefit EJ communities, such as the optional programs described above. For comprehensive analysis, we also recommend that NHTSA analyze the impacts on these communities of programs that do not create such an incentive.

### **III. Additional Considerations Affecting the Automotive Industry**

Hyundai has committed to accelerating its electrification ambition and focus on sustainable fuel vehicles. For example, we are strengthening our BEV line-ups and have a full line-up of vehicles with a focus on SULEVs, hybrids, and zero-emission vehicles. However, we recognize the real challenges facing Hyundai, as well as the entire automotive industry. For instance, supply chain and raw mineral constraints, have drastically inhibited production and technological progress by the industry as a whole,<sup>12</sup> which may limit compliance with credit programs and highlight greater need for flexibilities.

Hyundai encourages NHTSA to consider the impacts on manufacturers, U.S. manufacturing, and customers if it is not practicable for industry to achieve proposed production plans within planned timeframes or meet future proposed standards. As a result, we encourage NHTSA to continue to include flexibilities and to consider potential supply chain challenges and disruptions facing the industry when considering the range of alternatives proposed and evaluating the resulting impacts.

We thank you for the opportunity to comment at this important stage and look forward to working with NHTSA staff in furthering our common goals to improve fuel economy in future vehicle fleets and secure environmental justice for disadvantaged communities.

Sincerely,



Brian Latouf  
Global Chief Safety Officer, Hyundai Motor Company; and  
Chief Safety Officer, Hyundai Motor North America



Olabisi Boyle  
Vice-President, Product Planning & Mobility Strategy  
Hyundai Motor North America

CC: Mr. Nagabhushana, Ms. Fish, and Ms. Walters

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<sup>12</sup> See [Reuters, Analysts Forecast U.S. Vehicle Shortages as Supply Chain Woes Persist](#) (June 28, 2022).