

EPA's Proposed Rule for Light-Duty Vehicle Greenhouse Gas Emissions Standards for Model Years 2023-2026 and the President's Executive Order 14037

U.S. EPA, Office of Transportation and Air Quality

Briefing for NACAA

August 10, 2021

Overview

- President's August 5, 2021 Executive Order 14037
- Background on EPA's Proposed Rule for 2023-2026
- Proposed Standards and Program Elements
- Impacts of the Proposal
- Alternatives for Public Comment
- Public Participation

President's August 5, 2021 Executive Order 14037

“Strengthening American Leadership in Clean Cars and Trucks”: Overview and Light-duty Vehicle Actions

- *“America must lead the world on clean and efficient cars and trucks. That means bolstering our domestic market by setting a goal that **50 percent of all new passenger cars and light trucks sold in 2030 be zero-emission vehicles**, including battery electric, plug-in hybrid electric, or fuel cell electric vehicles.”*
- *“My Administration will prioritize **setting clear standards**, expanding key infrastructure, spurring critical innovation, and investing in the American autoworker.”*
- EPA shall consider beginning work on a rulemaking under the Clean Air Act to establish new **multi-pollutant emissions standards, including for greenhouse gas (GHG) emissions, for light- and medium-duty vehicles beginning with model year (MY) 2027 and extending through and including at least MY 2030.**
- For light-duty, EPA shall consider issuing any **final rulemaking no later than July 2024.**

EO 14037 continued: Heavy-Duty Actions

1. EPA shall consider a rulemaking under the Clean Air Act to establish new **NO_x standards for heavy-duty engines and vehicles beginning with MY 2027 and extending through and including at least MY 2030.**
 - Final rulemaking by December 2022
2. EPA shall in consideration of the role that zero-emission heavy-duty vehicles might have in reducing emissions from certain market segments, consider **updating the existing GHG emissions standards for heavy-duty engines and vehicles beginning with MY 2027 and extending through and including at least MY 2029.**
3. EPA shall consider beginning work on a rulemaking under the Clean Air Act to establish **new GHG emissions standards for heavy-duty engines and vehicles to begin as soon as MY 2030.**

EO 14037 continued: Coordination and Engagement

- EPA and **DOT** shall coordinate during the consideration of any rulemakings
- EPA and DOT shall consult with the Secretaries of **Commerce, Labor, and Energy** on ways to achieve the EO goals, to accelerate innovation and manufacturing in the automotive sector, to strengthen the domestic supply chain for that sector, and to grow jobs that provide good pay and benefits
- EPA shall coordinate with **California and other States** that are leading the way in reducing vehicle emissions, including by adopting California's standards
- EPA shall seek input from a diverse range of **stakeholders**, including representatives from **labor unions, States, industry, environmental justice organizations, and public health experts**

EPA's Proposed Rule for Light-Duty Vehicle GHG Standards for MY2023-2026

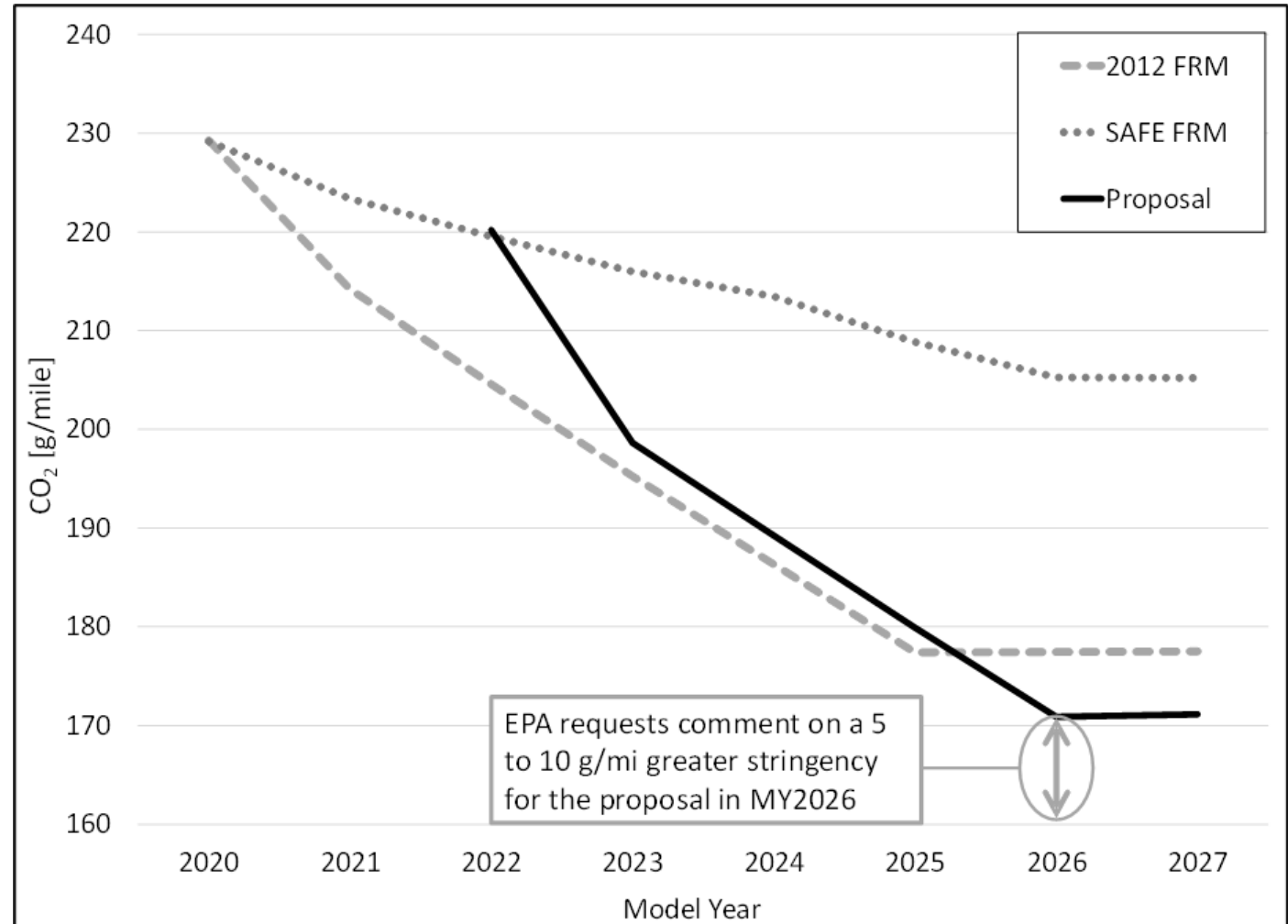
- EPA's Proposed Rule was released on August 5, 2021
- Federal Register published today (August 10)
- EPA web site for proposed rule information:
 - <https://www.epa.gov/regulations-emissions-vehicles-and-engines/proposed-rule-revise-existing-national-ghg-emissions>

Executive Order 13990 (January 20, 2021) Direction on Light-duty Vehicle GHG Standards

- President Biden's E.O. 13990, *"Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis,"* signed January 20, addressed light-duty vehicle GHG emission standards
- One key provision states *"the head of the relevant agency...shall consider publishing for notice and comment a proposed rule suspending, revising, or rescinding the [SAFE2 GHG action] ... by July 2021."*
- The EO further gives direction on stakeholder outreach:
 - *"In considering whether to propose suspending, revising, or rescinding the latter rule, the agency should consider the views of representatives from labor unions, States, and industry. "*

Proposed CO₂ Standards

- EPA is proposing revised CO₂ standards for MYs 2023-2026 under its authority in Clean Air Act 202(a)
- Standards represent year-over year stringency increases of about 10% in MY2023 and 5% in MYs 2024-2026
 - MY 2026 standard would be most stringent standards set to date
 - Requesting comment on even more stringent MY 2026 standards
- We are proposing limited compliance flexibilities (see next slide)
 - Retaining averaging, banking and trading provisions which automakers have used since program's inception



Proposed Key Program Elements

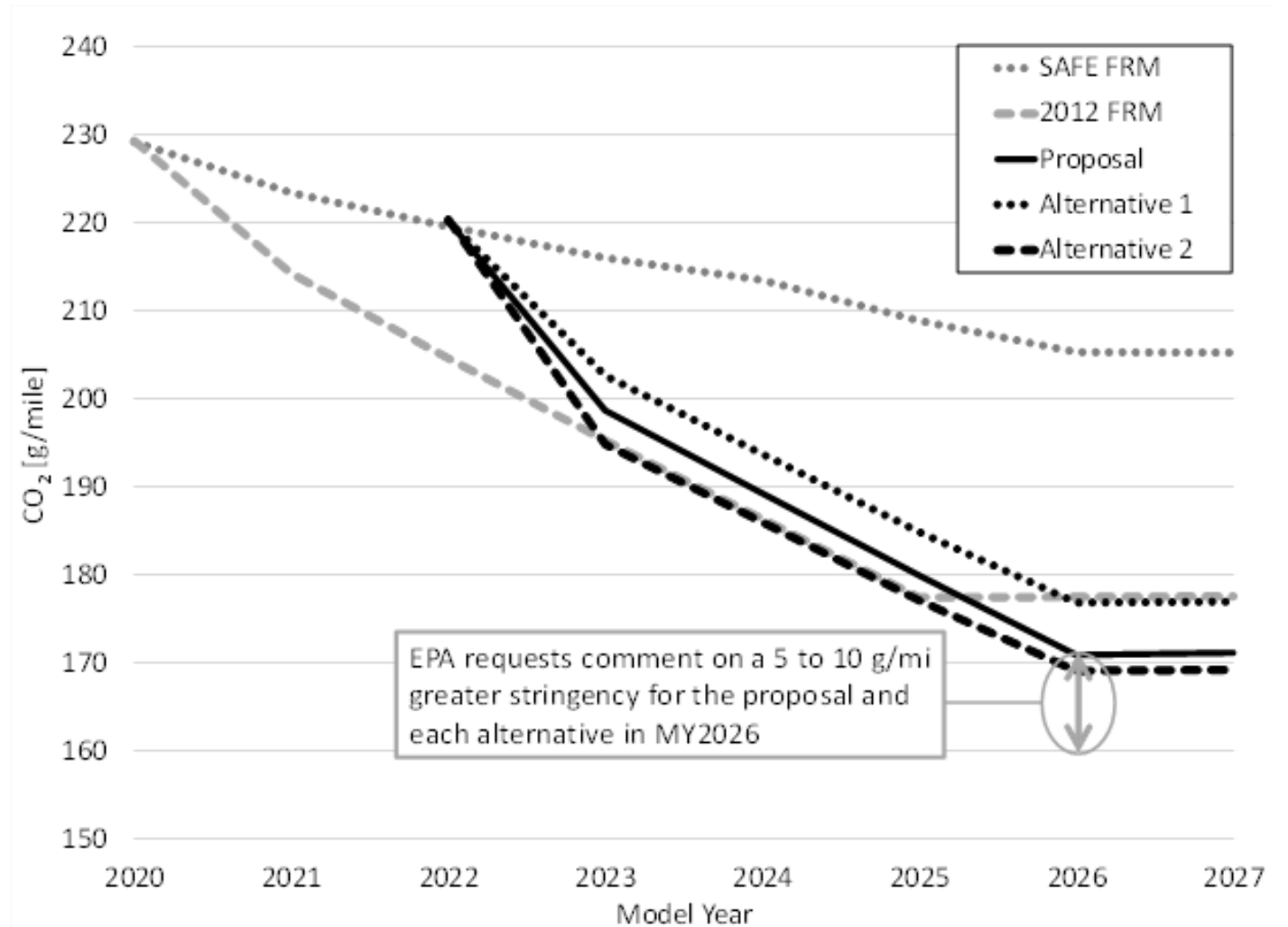
- Given the stringency and lead time of the proposed standards, EPA is proposing a targeted set of extended/additional compliance flexibilities and incentives:
 - A limited extension of carry-forward credits generated in MYs 2016 through 2020
 - An extension of the advanced technology vehicle multiplier incentives for MYs 2022 through 2025 with a cumulative credit cap
 - Restoration of the 2012 rule's full-size pickup truck incentives for strong hybrids or similar performance-based credit for MYs 2022 through 2025 (provisions which were removed in the 2020 rule)
 - An increase of the off-cycle credits menu cap from 10 g/mile to 15 g/mile
- Collectively, these provisions provide auto manufacturers with additional flexibility in meeting the MY 2023-2026 proposed standards
- The advanced technology incentives are intended as temporary measures supporting the transition to zero-emission vehicles

Impacts of the EPA Proposal

- This proposal would result in **2.2 billion tons of avoided CO₂ emissions** through 2050
 - GHG emission reductions would benefit vulnerable populations, such as the very young, the elderly, communities of color, low-income, disabled, and indigenous populations
- **Total benefits far exceed the costs**
 - Between **\$86 and \$140 billion in net benefits through 2050** primarily from GHG and other emissions reductions that will improve public health and help address the impacts from climate change such as property damages due to increased flooding and changes to agricultural production
 - Included in the total benefits we project between **\$3.6 and \$8.8 billion in health benefits** due to the reduction of emissions that contribute to ambient concentrations of particulate matter, PM2.5, which is associated with premature death and serious health effects such as hospital admissions due to respiratory and cardiovascular illnesses, nonfatal heart attacks, aggravated asthma, and decreased lung function.
- Gasoline consumption would be reduced by **227 billion gallons (5.4 billion barrels)** through 2050
- American drivers would **save \$120 to \$250 billion in fuel costs through 2050**
- Average **per-vehicle cost to the auto industry** to comply with the proposed standards would be **\$1,044 in MY 2026**, offset for vehicle owners by significant fuel savings
 - Over the lifetime of a MY 2026 vehicle, **fuel savings will outweigh vehicle cost increase by about \$900**

Alternatives for Public Comment

- EPA considered two Alternative stringency levels
 - Alternative 1 (less stringent)
 - Alternative 2 (more stringent)
- EPA also requests comment on a 5-10 grams CO₂/mile greater stringency in MY 2026



Public Participation

- EPA will hold a virtual public hearing on August 25, 2021
 - Possible 2nd hearing will be held on August 26, 2021 if sufficient interest
- EPA website for Public Hearing information and to Register to either Listen-only or Testify:
 - <https://www.epa.gov/regulations-emissions-vehicles-and-engines/public-hearing-information-epas-revised-2023-and-later>
- Public comment period ends September 27, 2021