October 26, 2018

The National Association of Manufacturers (NAM), the nation’s largest manufacturing association, representing manufacturers in every industrial sector and in all 50 states, submits these comments on the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, proposed by the National Highway Traffic Safety Administration (NHTSA) and the Environmental Protection Agency (EPA) (collectively, the Agencies).

The NAM represents manufacturers throughout the automobile manufacturing supply chain. This includes automobile manufacturers, manufacturers of the thousands of components that make up an automobile, the companies that are responsible for all of the raw materials that those components are made from and the manufacturers that support, link and power the entire process. The economic importance of the automobile manufacturing sector cannot be understated. Automobile manufacturing contributes $953 billion into the U.S. economy each year and has historically contributed from 3 to 3.5 percent to U.S. gross domestic product (GDP). Collectively, this manufacturing apparatus has driven remarkable improvements in the fuel economy of light duty vehicles and resulted in reductions in GHG emissions. Since MY 2004, carbon dioxide (CO\textsubscript{2}) emissions from new cars and trucks decreased by 102 grams per mile, or 22 percent, while fuel economy has increased 28 percent.\footnote{Alliance of Automobile Manufacturers, available at https://autoalliance.org/economy/.

Along with producing automobiles, manufacturers depend on reasonably priced and reliable vehicles to facilitate many of their operations. In this way, manufacturers view federal fuel economy and GHG emissions policies not only as a regulated sector and supporting industries, but through the lens of a consumer. Manufacturers in sectors across the economy have been deeply engaged throughout the multiyear midterm evaluation (MTE) process for EPA...
and NHTSA’s joint fuel economy program. It has been our goal throughout that the MTE is
carefully administered, relies on the best available data and information, and deliberately
considers the input from stakeholders best positioned to assess issues like technological
feasibility, market conditions and cost.

I. Manufacturers Support One National Standard.

Manufacturers support the GHG emissions and fuel economy program for
automobiles. We agree with EPA and NHTSA that the program should be updated based on
lessons that have been learned from prior years, using the most current data. For this reason,
we deeply appreciate the work the Agencies have undertaken to update and harmonize the
program. For manufacturers to remain competitive, we need a program (or one national
standard) that provides regulatory certainty and maintains vehicle affordability.

The NAM also believes that the program should result in year-over-year fuel economy
and GHG emissions improvements. The NAM does not intend to choose a specific point in the
range of options developed by EPA and NHTSA; significant new vehicle technology and fleet
turnover will be needed to meet any of the alternatives proposed. We do recommend, however,
that the Agencies’ final rule ensure that fuel economy and GHG emissions continue to improve
on a year-over-year basis, which all of the alternatives in the proposal would achieve.

II. Consumer Vehicle Preferences and U.S. Energy Security Have Changed Since
the Current CAFE/GHG Standards Were First Issued.

Consumers today enjoy an unprecedented choice of new cars and light trucks from a
thriving automobile industry. In less than a decade, automakers and their suppliers have
rebounded from severe financial hardship to become a true bright spot in the advancing U.S.
economy.

However, many of the projections made by EPA and NHTSA in 2012 regarding
technologies that would be developed, how they would be deployed, and how they would be
valued by consumers have not come to pass. As the SAFE Vehicles Rule identifies, in 2012 the
Agencies projected fuel prices would rise significantly and consumer buying behavior would be
impacted accordingly. However, the U.S. energy boom has resulted in lower-than-expected
energy projections through 2050. It is to manufacturers’ credit that they have been able to
achieve aggressive fuel economy gains while continuing to meet shifting consumer demand.
However, it is valid for the Agencies to use the midterm examination to review this data and use
it to adjust future standards if necessary.

III. The Agencies Should Retain Compliance Flexibilities, Including Mobile Air-
Conditioning (MAC) Refrigerant Credits

Manufacturers strongly recommend that EPA retain existing compliance flexibilities as
part of its GHG standards, including vehicle deployment flexibilities, off-cycle credits and Mobile
Air-Conditioning (MAC) refrigerant credits. Compliance flexibility is a fundamental component of
sound regulatory policy and is almost always preferable to prescriptive regulations or one-size-
fits-all mandates. We acknowledge that the proposal to eliminate compliance flexibilities is a
good-faith attempt to harmonize EPA’s GHG program (which allows for them) with NHTSA’s
CAFE program (which does not). However, the proper solution to this problem is to seek to
broaden the range of compliance options for CAFE, not to eliminate flexibilities like the MAC credit.

MAC credits are a particularly effective tool in manufacturers' compliance toolkit. They are among the lowest-cost compliance options per vehicle available to automakers and provide the equivalent of nearly 1 mpg toward compliance with the EPA standard. Manufacturers have invested more than $1 billion in the United States to develop, produce and adopt cutting-edge coolant technology that aids in compliance with EPA regulations and provides real reductions in GHG emissions. As a result, the United States is now the world's leading producer of these products and can manufacture them at a reasonable cost.

Finally, the environmental benefits from MAC credits are significant: replacement refrigerants have a lower global warming potential (GWP) than carbon dioxide and a GWP more than a thousand times lower than the refrigerants they replace. Manufacturers support cost-effective ways to address climate change, and next-generation refrigerants are a perfect example of one of these solutions. EPA has justifiably touted the reduced GHG emissions of new vehicles; these improvements would not have been possible without MAC credits.

The MAC program is a market-based tool that encourages the move away from high-polluting products in favor of next-generation American coolants. For manufacturers, eliminating the MAC program would come with a significant negative economic impact, and would harm manufacturers' overall competitiveness. The NAM strongly recommends that EPA retain MAC credits in the final SAFE Vehicles Rule.

IV. Lightweighting

Vehicle lightweighting can be accomplished through a range of materials and technologies, including steel, aluminum, carbon fiber, plastics, polymers and composites. Lightweighting is an important option for automakers to improve fuel economy without compromising vehicle safety, and the demand for lightweight materials has resulted in significant innovation throughout the manufacturing sector.

For automakers, the decision to choose a particular material involves many factors, including cost, safety, fuel economy, availability of supply, and environmental impact. It is important that the Agencies not use the regulations to predetermine materials choice. Automobile manufacturers have consistently demonstrated the ability to reduce vehicle mass using lightweight materials and technologies while maintaining or improving safety. The market should govern their use, and the regulations should not steer automakers toward one lightweighting material over another.

V. California Waiver

If we could go back in time, we almost certainly would have designed the current fuel economy and vehicle GHG program differently. Three overlapping regulatory programs administered by EPA, NHTSA and the California Air Resources Board (CARB) is hardly efficient, particularly given that the three are similar but not identical. In a perfect world, the standards would be administered by a single regulatory entity.

However, the reality is that since the enactment of these standards in 2009 manufacturers have built internal compliance systems and made long-term investments to produce vehicles and components that comply with the existing tripartite regulatory structure.
This includes not only the automobile manufacturers but also manufacturers of components like batteries, tires, turbochargers, aerodynamics, electric vehicle infrastructure, natural gas vehicles, next-generation refrigerants, and the like. Starting over from a regulatory standpoint is simply not a good option for these manufacturers.

Should EPA, NHTSA and CARB find themselves unable to agree on a consensus path forward, the legal arguments in support of denying a Clean Air Act waiver to California to regulate GHG emissions from vehicles are quite strong and should not be taken lightly. Section 209 of the Clean Air Act prohibits EPA from granting a waiver to California to regulate the control of emissions from new motor vehicles or new motor vehicle engines if California does not need such State standards to meet compelling or extraordinary conditions. 42 U.S.C. § 7453. For some pollutants, California has compelling or extraordinary conditions; for GHGs, it does not. The impact on California from a ton of carbon is the same as any other State, regardless of whether it was emitted in Los Angeles, Little Rock or Beijing. The vehicle GHG emissions program established by EPA under Section 202 of the Clean Air Act is more than sufficient to address California’s circumstances.

In sum, it is manufacturers' preference that EPA, NHTSA and CARB work out an agreement to preserve a single national program. Recent reports indicate that CARB has not yet made a proposal to EPA or NHTSA. We strongly urge CARB to take this process seriously and negotiate in good faith, given the strong legal case against granting California a waiver under Section 209.

Thank you for the opportunity to provide comments on the SAFE Vehicles Rule. The NAM looks forward to working with the Agencies as they work toward a final rule.

Sincerely,

Ross Eisenberg
Vice President
Energy and Resources Policy