Ceres
Sustainability is the bottom line.

March 15, 2018

Administrator Scott Pruitt
Office of the Administrator 1101A
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Administrator Pruitt,

As the representative of a network of 46 major employers across the United States, I am writing to voice our strong support for retaining the current passenger vehicle fuel economy and GHG standards (the National Program), California's right to retain its vehicle standards, which are consistent with the National Program, and other states' rights to follow suit. The Business for Innovative Climate and Energy Policy (BICEP) is an advocacy coalition of leading businesses committed to working with policy makers to enact meaningful energy and climate legislation. We believe that a strong and consistent National Program is essential to ensuring key economic and environmental benefits, and we would oppose any attempts to undermine states' rights to realize those benefits.

The National Program represents a critical opportunity to strengthen the U.S. economy, enhance the global competitiveness of the auto industry, create jobs, and help us meet our climate goals. Weakening the National Program is not only legally unjustified but would also undermine these benefits as well as regulatory certainty. California has already announced its finding, based on multiple comprehensive analyses, that the standards remain appropriate.[1] Pursuant to section 177 of the Clean Air Act, a total of 13 states and Washington, D.C. have adopted California's vehicle emissions standards. As a whole, this group represents 113 million U.S. residents, or 35% of the U.S. market for cars and trucks.

Given the size of the market committed to following California's lead, and the stated intent of those states to legally challenge a rollback of the standards,[2] weakening the standards would inevitably lead to regulatory uncertainty and delay. Regulatory certainty is necessary to ensure the investment in research and development needed to safeguard the industry's global competitiveness as the rest of the world moves toward stricter clean vehicle regulation. The recent formation of the Automotive Technology Leadership Group, an alliance of the nation's leading automotive supplier and emission control company organizations, which calls for consistent standards that will ensure

[1] https://www.arb.ca.gov/msprog/acc/mtr/res17-3.pdf
[2] State Attorneys General letter to Administrator Pruitt dated June 8, 2017

99 Chauncy Street, 6th Floor · Boston, MA 02111-1703 · 617-247-0700 www.ceres.org

that the U.S. continues to "lead the development and manufacture of the cleanest and most efficient in the world,"[3] underscores the importance of strong uniform standards to suppliers, who employ over two and a half times more Americans than the automakers.

A Ceres economic analysis[4] underscores these points. It found that the current National Program would reduce risk for the Detroit Three and benefit suppliers, while weakening the standards could undermine industry economic performance, particularly for suppliers. The study shows that the Detroit Three will remain profitable under the current standards under all fuel price scenarios considered - even under a very low $1.80 per gallon fuel price. In addition, the current standards provide insurance for the Detroit Three automakers and their suppliers against future market losses in the event of a fuel price spike.

The study also demonstrates that regulatory certainty is valuable to automakers, and especially the Tier One suppliers, who are making the majority of fuel-saving technology investments in research, development and production capacity; the standards will allow them to realize returns on their investments and avoid stranded costs. In fact, the standards provide significant benefits to suppliers. About 80% of automaker compliance costs are paid to suppliers, which make up a significantly larger portion of the economy than the automakers and employ over half a million Americans. Specifically, the study found that Tier One auto suppliers stand to gain about $90 billion in increased orders for fuel-saving technology under the current standards (in the 2014-2025 timeframe). Finally, if the standards were weakened and gas prices spiked, we could see 300,000 fewer vehicle sales for automakers and a loss of $1.08 billion in profits in 2025. Suppliers would be hit especially hard, losing $3.3 billion a year between 2022-2025 in sales of fuel-efficient technologies.

Similarly, an analyst note[5] regarding automakers' financial performance underscores the importance of retaining or strengthening the current standards. The analysis found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards would help enhance the competitiveness of the U.S. auto industry. Given the importance of operating costs in ride sharing platforms, and the synergy between autonomous vehicles and electrification, leadership in fuel efficiency and electrification is key to success in this new era. We are also seeing a global policy shift; China, the world's largest car market, is planning to require that 40% of all cars sold in 2030 be new energy vehicles. China has also announced plans to ban vehicles with traditional internal combustion engines; India and several European countries and cities are also planning similar bans. The United States should position itself to compete in this new world by retaining or strengthening the current standards, which drive innovation and investment in the technologies needed to succeed in this new era.

Finally, strong standards serve to mitigate the economic risks associated with our continuing dependence on oil as well as climate change. In light of the volatility of fuel prices, strong standards are needed in order to reduce transportation costs for businesses and consumers.

[3] http://www.pressreleasepoint.com/auto-suppliers-emission-control-companies-want-consistent-mpg-emission-rules
[4] Economic Implications of the Current National Program v. a Weakened National Program in 2022-2025 for Detroit 3 Automakers and Tier One Suppliers
[5] https://www.ceres.org/resources/reports/whats-driving-us-auto-industrys-financial-performance

As a result of a shift in fleet mix to larger vehicles, overall fuel economy plateaued from MY2014-2016,[6] which underscores the importance of preserving the standards in order to ensure fuel cost savings and reduce our dependence on oil. In addition, climate change presents significant long-term risks to our businesses as well as the global economy. Strong standards will serve to mitigate that risk by providing significant GHG reductions; the Model Year (MY) 2022-2025 standards are projected to save approximately 540 million metric tons of GHG emissions and reduce oil use by 1.2 billion barrels.[7]

In sum, as shown by the success of the program to date and multiple analyses, the current standards will strengthen the U.S. economy, save businesses and consumers money, enhance the global competitiveness of the U.S. auto industry, provide the regulatory certainty needed to spur innovation, reduce both our dependence on oil and climate risk, and create jobs. Given that 13 states, representing over a third of the U.S. vehicle market, have committed to the National Program, weakening it would lead to regulatory uncertainty and delay, and undermine its economic and environmental benefits. We strongly support the rights of those states to choose to take advantage of those significant benefits.

Sincerely,

Anne Kelly

Anne Kelly
On behalf of Business for Innovative Climate and Energy Policy [BICEP]
Senior Director, BICEP

CC: Michael Catanzaro, Special Assistant to the President
Heidi King, Deputy Administrator, NHTSA
William Wehrum, Assistant Administrator, OAR, EPA

Governor Jerry Brown, California
Attorney General Xavier Becerra, California
Governor Dannel Malloy, Connecticut
Attorney General George Jepsen, Connecticut
Governor John Carney, Delaware
Attorney General Matthew P. Denn, Delaware
Mayor Muriel Bowser, District of Columbia
Attorney General Karl A. Racine, District of Columbia
Attorney General Tom Miller, Iowa
Governor Paul LePage, Maine
Attorney General Janet T. Mills, Maine

[6] University of Michigan Transportation Research Institute http://www.umich.edu/~umtriswt/EDI_sales-weighted-mpg.html
[7] Final Determination at 7 https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100QQ91.pdf

Governor Larry Hogan, Maryland
Attorney General Brian Frosh, Maryland
Governor Charlie Baker, Massachusetts
Attorney General Maura Healey, Massachusetts
Governor Phil Murphy, New Jersey
Attorney General Gubrir S. Grewal, New Jersey
Governor Andrew Cuomo, New York
Attorney General Eric T. Schneiderman, New York
Governor Kate Brown, Oregon
Attorney General Ellen F. Rosenblum, Oregon
Governor Tom Wolf, Pennsylvania
Attorney General Josh Shapiro, Pennsylvania
Governor Gina Raimondo, Rhode Island
Attorney General Peter F. Kilmartin, Rhode Island
Governor Phil Scott, Vermont
Attorney General T.J. Donovan, Vermont
Governor Jay Inslee, Washington
Attorney General Bob Ferguson, Washington

Patrick McDonnell, Secretary of the Commonwealth of Pennsylvania Department of Environmental Protection