

National GHG/CAFE Program: Auto Manufacturer Perspective

John Cabaniss

Association of International
Automobile Manufacturers



Background

- EPA/NHTSA rule
 - Joint proposal – September 2009; final - March 2010
 - 2012-2016 MY
 - 250 g/mi CO₂; 35.5 mpg fleet wide average by 2016
- CARB GHG rule
 - 2009-2016 MY
 - 250 g/mi CO₂ in 2016 MY
 - Amending to align with federal program
- Climate change needs long-term focus; 2050 goals; same for energy policy (CAFE)

Industry Positions

- Support national program; oppose state approach
 - GHG is national and international problem; no local impacts
 - Fleet averages differ among states
 - Accounting nightmare to maintain credits state-by-state
- This rule is the first step in a long-term GHG and CAFE policy; agencies should start now on 2017+ program

Industry Positions (cont.)

- EPA and NHTSA must Coordinate and Harmonize Program
- GHG and CAFE are inter-related; Improved FE = Lower GHG Emissions
- One Set of Technology Options for Both
- Differing Legal Authorities Offer Some Challenges
- EPCA Criteria: Technological Feasibility, Economic Practicality, the Effect of Vehicle Standards on FE, and the Need to Conserve Energy
- CAA Criteria: EPA Discretion on Requisite Technology, Cost of Compliance, and Balancing Costs and Environmental Goals.

Industry Positions (cont.)

- The Supreme Court decision, *Mass. v. EPA*:
“[B]oth [Agencies can] administer their obligations and yet avoid inconsistency.”

“EPA no doubt has significant latitude as to the manner, timing, content, and coordination of its regulations with those of other agencies.”

Technological Challenge; Need for Flexibility

- Achieving the proposed standards is technologically challenging
- 30 percent improvement in just 5 model years.

Technological Challenge; Need for Flexibility

- Special Challenge for Intermediate and Small Volume Manufacturers
 - Regulation Not Intended to Drive Companies Out of the US Market
 - EPA Proposal includes Temporary Lead-Time Allowance Alternative Standards; Provides Some Relief for IVMs but Insufficient Flexibility for SVMs
 - Recommend Deferring Compliance for SVMs to the 2017+ program; For 2017+ Develop an Alternative Standard for SVMs

Technological Challenge; Need for Flexibility

- Nitrous Oxide and Methane
 - EPA Proposed Standards to Cap Levels
 - Even After Adjusting for Higher GWP They Account for less than 1 Percent of Vehicle GHGs
 - N₂O Measurement Requires Additional Test Equipment and is Not Reliably Measured at Such Low Concentrations
- Recommend Federal Harmonization with CARB Approach: Treating N₂O and NH₄ as CO₂-Equivalent Default Values; Study Need for Further Specific Standards in the 2017+ Rule

Technological Challenge; Need for Flexibility

- In-Use Standard for CO2
 - EPA Proposal: 10% Adjustment Factor Added to Model-Level Emissions Value
 - EPA Proposal: There is No Current Basis to Believe that CO2 Emissions or FE Deteriorate In-Use. EPA Data Indicate For Many Vehicles CO2 Emissions Actually Decrease Slightly In-Use.
 - Adding Manufacturer Test Burden to the In-Use Verification Program Seems Unwarranted
 - The Proposed Standard is Inappropriate. In Some Cases, the 10% Adjustment Factor May Not be Sufficient to Account for Variation Within the Test Group
- Recommend Studying the Need for an In-Use Standard and Address As Needed in the 2017+ program; OR At Least Set the In-Use Standard to be Within 10% of the Emissions Level of the Closest Vehicle Configuration Rather than the Model-Level Average

Technological Challenge; Need for Flexibility

- Calculation of FE and GHG Targets
 - Further Harmonization Needed on Footprint Calculations
 - EPA Proposal Contains Much More Specificity; Recommend the CAFE Procedure Be Harmonized with the EPA Procedure to Avoid Discrepancies Between the Federal Programs

Technological Challenge; Need for Flexibility

- Credits – Averaging, Banking and Trading
- Manufacturers Support All Aspects of Credits Generation and Usage To Provide Maximum Compliance Flexibility

Technological Challenge; Need for Flexibility

AC Credits

- Support Proposal for a Menu-Based Approach for Leakage Credits
- Support Menu-Based Approach for AC Efficiency Credits for 2012-2013, As Proposed, but Also for 2014-2016; Oppose the Proposed Idle Test for AC Efficiency; Recommend Studying This Issue Further and Address in 2017+ Program
- Support EPA's Proposal for Credits for Alternative Low-GWP Refrigerants

Technological Challenge; Need for Flexibility

Early Year Credits – Support the EPA Proposal to Provide Maximum Flexibility for Manufacturers

FFV Credits – Rather than Applying Credit Caps Separately for Cars and Trucks, EPA Should Establish a Single FFV Cap for All FFVs and Allow Manufacturer to Allocate the Credits Between Its Car and Truck Fleets

Compliance: Recall

Recall – As Noted in the Proposal, Recall is Not An Appropriate Remedy for Enforcing Regulations Based on Fleetwide Averages. With Fleetwide Average Standards, No Particular Standard Applies to a Particular Vehicle. There is No Such Thing as a Noncompliant Vehicle, Only a Noncompliant Fleet

Recommend EPA Specify the Limited Circumstances Under Which a Recall May Be Appropriate for Noncompliance Under the GHG Program

Other Points

- Linearity of Standards for 2012-2016 - Industry Supports Adjustments to the Year-to-Year Progression of Standards from 2012 to 2016 to Make Them More Linear
- No Additional Backstops Standards Needed
- VMT Adjustment Factors Should be Updated
- CBI Should Be Protected

Conclusions

- GHG and FE are Long-Term Programs
- Support Maximum Compliance Flexibility for Manufacturers Due To:
 - Technological Challenge
 - Differences Among Manufacturers – Size and Product Mix
 - Current Economic Downturn
- Fair Treatment for Small Volume Manufacturers
- Minimize New Test Burdens; Study Issues for Incorporation in 2017+ Program
- Agencies Should Begin Immediately on 2017+ Program