



July 5, 2023

Environmental Protection Agency
EPA Docket Center
1200 Pennsylvania Avenue NW
Washington, DC 20460

Re: Proposed Rule, Environmental Protection Agency; Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles (88 Fed. Reg. 29184-29446, May 5, 2023)

The U.S. Chamber of Commerce appreciates the opportunity to provide comments on EPA's proposed rulemaking addressing Multi-pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles.

The Chamber and its members are proud of our longstanding role as collaborative partners with EPA and state regulators to develop and deploy advanced technologies and vehicles that have contributed to America's remarkable progress on air quality and emissions reduction. Consider:¹

- Vehicles sold today are on average 30% more fuel efficient than vehicles sold in 2004, helping to drive a 6% reduction in transportation sector CO2 emissions even as overall vehicle miles traveled have increased by about 10%.
- Nitrogen oxide (NOx) emissions from model year 2025 vehicles will be 57% lower than vehicles sold in 2004, and 95% lower than those sold in 1994—a major contributor to the more than 20% reduction in ozone levels during that time period.
- More than 90 models of vehicles currently achieve over 40 miles per gallon in fuel efficiency.
- Availability of electric vehicle options has increased dramatically, with 150 different models expected to be available within the next few years
- Automakers have announced plans to invest at least \$110 billion in domestic EV manufacturing and battery production by the end of the decade.

American businesses are playing an essential role in addressing climate change, and the business community is an essential partner in the development of sound policies that protect our environment. We strongly support the continued transition to lower-carbon fuels and vehicles, and are committed to partnering with EPA, the Department of Transportation, and other federal stakeholders to facilitate a successful transition.

¹ Sources: Alliance for Automotive Innovation, Department of Transportation, and Environmental Protection Agency.

For regulatory measures seeking to accelerate this transition to be successful, they must be technologically achievable, flexible, cost-effective and attentive to practical market and real-world considerations that affect consumer interest in and support for electric vehicles. They also must recognize the vital importance of a healthy auto sector to the national economy. According to the Alliance for Automotive Innovation, auto manufacturing, sales and service supports a total of 9.6 million American jobs and generates more than \$1 trillion of economic activity each year. The Chamber has strong concerns that the proposed rule fails to meet these criteria by going too far, too fast, particularly in light of challenges associated with outside-the-vehicle factors that are critical to facilitating broad consumer support for EVs. These include:

- **Underdeveloped and unsecure supply chains for electric vehicle batteries and other components.** Electric vehicles need approximately six times more minerals than a conventional vehicle, and the International Energy Agency estimates that EV-related demand for these minerals will increase almost 30-fold through 2050. The auto industry and other sectors facing growing supply chain concerns are working with the mining sector to address projected shortfalls of these critical minerals and associated refining and processing needs, but the challenge is immense.

Successfully ramping up these efforts will take several years under even the most optimistic scenarios. This is a major reason why the proposed rule's aggressive and front-loaded "ramp rate" is not realistically achievable, and could in fact exacerbate energy security issues associated with China's current dominance of global critical mineral supply chains. While recently enacted R&D programs and tax incentives are certain to help attract battery manufacturing and assembly investments necessary for the downstream end of the supply chain, a more comprehensive approach including faster permitting is needed. In particular, the Chamber urges the Administration to reverse course on its opposition to domestic mining projects required to source the raw materials necessary for manufacturing EV batteries on the scale envisioned by this proposal.

- **Inadequate EV charging infrastructure.** It is widely regarded that consumer acceptance of and interest in electric vehicles is highly dependent on the existence of a sufficient nationwide network of EV charging infrastructure. As noted in the proposed rule, the bipartisan Infrastructure Investment and Jobs Act provides \$7.5 billion of Federal Highway Administration funding for charging infrastructure deployment efforts that provide an important start for this effort. However, implementation of these programs has barely begun, and there is ample evidence that even their successful and on-time execution will leave the U.S. far short of the number of charging stations necessary to support the proposal's expectation of nearly 70% EV sales in 2032. Addressing this shortcoming is fundamental to overcoming consumer reluctance to EV adoption. The Chamber encourages EPA to work with automakers, utilities, the Department of Energy, and state governments to adjust phase-in timelines of this rulemaking to correspond to realistic expectations of EV charging infrastructure buildout.

- **Impacts on grid reliability and resiliency.** The electric grid will be called upon to handle increased demand during its own period of transition. By EPA's own estimates, deployment of EVs as envisioned by the proposed rule would increase power demand by 114 terawatt-hours (2.25 percent) nationwide by 2035. Some geographic regions and subregions will experience higher changes on a percentage basis, and as EPA notes in the proposed rule, EV charging will result in "large and abrupt electricity demand peaks" during certain periods of the day. This presents a major challenge for an electricity system that is now facing its most difficult reliability challenges in decades, and in which an already accelerated loss of existing dispatchable generating capacity could be exacerbated by EPA's concurrently proposed rule targeting these same types of electric generating facilities. The Chamber urges EPA to undertake thorough analysis of the impact of recent and forthcoming regulations and other policies on the cost and feasibility of this proposal.

In addition, the Chamber is concerned that EPA projections regarding a number of subjective and uncertain assumptions impacting vehicle technology costs and sales may be unrealistic. For example, we have concerns with EPA's conclusion that its standards will only increase vehicle technology costs by an average of \$1,200 per vehicle. This forecast is dependent on a number of optimistic assumptions regarding technology progress, critical material input costs and availability, as well as vehicle tax credit eligibility and individual MSRP restrictions. There are similar questions related to total vehicle ownership savings stemming from charging costs, vehicle maintenance, repair, insurance, etc.

If these assumptions are indeed overly optimistic, then the ultimate costs of the rule could be underestimated by tens of billions of dollars. This could in turn negatively impact not only sales and auto sector employment, but it would also undermine the rule's potential emissions reductions, as lack of affordability drives consumers to drive older, more polluting cars for longer. In order to address this potentially major issue and better inform stakeholders and the public of the rule's potential ramifications, the Chamber urges EPA to conduct sensitivity analyses modeling sales and emissions reductions under a range of tax credit eligibility, income limitations, and technology cost assumptions.

Moreover, we note that a forthcoming rulemaking by the National Highway Traffic Safety Administration (NHTSA) addressing fuel economy standards has potential to conflict with EPA's proposal, adding costly and unnecessary compliance burdens on the auto industry. Accordingly, the Chamber reiterates its longstanding recommendation that EPA and NHTSA cooperate to ensure a unified set of federal standards that minimize conflicting regulatory requirements between the overlapping rulemakings.

Finally, it is incumbent upon EPA and its federal partners to analyze and address the spillover impacts of this rulemaking on the quality of America's roadways. Since 1956, federal highway projects have been funded by the Highway Trust Fund, designed to be a self-sustaining source of funding that is refilled regularly by revenues from a series of dedicated taxes, primarily the gas and diesel fuel tax. While this revenue source has successfully funded projects for decades, the balance of the trust fund has declined in


recent years, becoming insolvent for the first time in 2008. As a result of declining revenues, for eight of the last ten years Congress has had to transfer funds from the general fund to the Trust Fund to ensure continued funding of highway projects. The most significant reason for the reduction in contributions is decreased fuel tax revenue as fuel economy standards change and more customers purchase electric vehicles that do not contribute to the Trust Fund, despite benefiting from the infrastructure Trust Fund revenue provides.

According to the proposed rule, fuel sales would be reduced by 21 billion gallons in 2035, rising to 34 and 48 billion gallons in 2040 and 2050, respectively. This equates to lost Trust Fund revenues of \$3.9B in 2035, \$6.3B in 2040, and \$165B through 2055. Absent a plan to replace these revenues, the adverse impacts of a rapid EV transition proposed in the rule stand to exacerbate this depletion as the number of vehicles contributing to the Trust Fund decreases with no alternative revenue stream to take the place of ICE vehicle contributions. A high-quality transportation network is vital for American businesses and consumers, and a sharp reduction in contributions over the next several years as a result of this rule would result in significant degradation of our nation's roads and bridges. Record high inflation is already reducing buying power under recently passed laws such as the Infrastructure Investment and Job Act, further degradation to reduced Trust Fund contributions would adversely impact access to medical facilities, schools, employers, grocery stores, and other basic needs necessary for the American public.

In summary, the Chamber urges EPA to revise its proposal to reflect a more realistic and achievable pathway for the EV transition that can attract support from a broad array of stakeholders. Such revisions should address each of the concerns raised above, and not exceed President Biden's own stretch goal of 40-50% EV sales by 2030.

Thank you for the opportunity to share comments on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin J. Durbin". The signature is fluid and cursive, with a large initial "M" and "D".

Martin J. Durbin
President, Global Energy Institute
Senior Vice President, Policy
U.S. Chamber of Commerce