EPA's 67.5% Electric Vehicle Mandate: Too Far, Too Fast

ISSUE

The Biden Administration has proposed new emissions standards that would effectively require 67.5% of U.S. vehicle sales to be electric by 2032. Dealers are making significant electric vehicle (EV) investments and are essential to advancing this transportation transformation. However, despite federal incentives, new vehicle buyers are not purchasing EVs in the quantities necessary for automakers to meet EPA's requirements. EPA's proposed rule goes too far, too fast by not acknowledging current real-world consumer demand for EVs. **Members of Congress are encouraged to support efforts to counter EPA's overly aggressive EV mandates and attempts to effectively ban the sale of gas-powered cars.**

BACKGROUND

In May, the Environmental Protection Agency (EPA) proposed a rule for model years 2027-2032 light- and medium-duty vehicles that essentially calls for 60% of new vehicles sold in 2030 and 67.5% of new vehicles sold in 2032 to be EVs. This proposal exceeds the Administration's 2021 executive order which called for 50% EV sales by 2030.

New car and truck dealers are essential to sell and service EVs. Dealers have already spent or committed to spend $10 billion of their own capital in EV inventory and special tools, equipment, training, and recharging infrastructure needed for these vehicles. These multi-billion-dollar investments are critical to laying the foundation to move from early adopters to mass marketing EVs to the average consumer.

The Alliance for Automotive Innovation, which represents automakers, stated that the EPA rule is "neither reasonable nor achievable in the time frame provided." For the ongoing transportation transformation to succeed, consumers will need to buy the EV from the dealer and put it on the road.

The EPA is limiting consumer choice by forcing Americans into vehicles they might not be able to afford or conveniently fuel. According to Cox Automotive, in Nov. 2022, the average transaction price for EVs was above $65,000. EV prices have since declined, due primarily to an oversupply of EVs on dealer lots, to an average of $52,345 in November, vs. $48,247 for the average vehicle. In December, EV inventory was at a 114-day supply as compared to the industry average 71-day supply. This $4,000+ price difference, coupled with inadequate charging infrastructure (1.2 million public chargers and 20 million private chargers are estimated to be needed by 2030 to meet demand) and long charging times (most public chargers take 8-30 hours to charge), create market impediments that must be addressed.

In addition, the EPA's overly rapid push to EVs will likely cement the place of Chinese suppliers in the U.S. market and increase the challenges manufacturers face through 2032 to establish EV supply chains independent of China. This will, in turn, limit the number of EV models that qualify for the full $7,500 EV tax credit and further impair vehicle affordability.

KEY POINTS

- **The Administration's proposal ignores real world consumer demand and goes too far, too fast**. EPA's effective 67.5% EV mandate, which Congress did not authorize, is flawed because other conditions (that currently do not exist) are needed first to make EVs broadly attractive to consumers, i.e., vehicle affordability, a sufficient and reliable charging infrastructure, and acceptable charging speeds. Furthermore, the demand for EVs varies dramatically market-by-market.

- **The EPA's insistence on mandating EVs, to the exclusion of other alternatively-fueled vehicles, greatly reduces consumer choice**. This policy will likely cause manufacturers to produce fewer of these alternative vehicles and will increase their cost, thereby dissuading consumers from considering their purchase.

- **A single national standard for reasonable and achievable greenhouse gas regulations that leverages consumer demand is needed to produce the fleet turnover necessary to deliver environmental benefits.**

STATUS

The EPA's proposed rule is expected to be finalized by late March 2024. A NADA-supported letter led by Rep. Lisa McClain (R-Mich.) and signed by 223 Republicans was sent to Republican leadership supportive of House language that would stop the EPA from spending money to finalize its EV mandate. While the provision was not included in the final FY 24 Interior-Environment appropriations bill, it is expected to be debated as part of the FY 25 appropriations bill. NADA also supports the "Choice in Automobile Retail Sales Act" or "CARS" Act (H.R. 4468/S. 3094) which would permanently stop the EPA from proceeding with its proposed EV mandate. H.R. 4468 passed the House on Dec. 6.

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