NADA

May 20, 2025

Dear Senator,

On behalf of the National Automobile Dealers Association (NADA), which represents over 16,000 franchised automobile dealerships and whose members collectively employ 1.1 million people nationwide, I strongly urge you to vote "YES" on passage of H.J.Res. 88, a joint resolution to disapprove the Environmental Protection Agency's (EPA) waiver for California's Advanced Clean Cars II (ACC II) rule. **Support for H.J.Res. 88, which recently passed the House decisively, is a top dealer priority and will be an NADA "Key Vote."**

H.J.Res. 88 would stop California's zero emission vehicle (ZEV) mandate, which starts later this year. This mandate would eventually ban the sales of new gas (including hybrid) cars and distort the vehicle market *in all states*.

The California ZEV mandate has negative national implications, as 11 other states have adopted the gas car ban rule in whole or in part,[1] comprising 40% of the new car market,[2] and all 50 states are impacted by California's rule. Starting this fall with model year (MY) 2026, in some states roughly one of every three new vehicles sold must be a ZEV. Only all-electric automakers will be able to meet this mandate. Because many Americans cannot afford or conveniently charge an EV, there is low consumer demand for this type of vehicle, and EV sales are currently only 7.5% of sales nationally.[3]

In MY 2027, the unrealistic standard is raised to 43% and increases each year until MY 2035, when only ZEVs can be sold in the affected states (see attachment). Under California's rule it would eventually be illegal for automakers to deliver for sale gas cars in the affected states. California's ban is so extreme that even traditional hybrid vehicles, such as the iconic Toyota Prius, would be banned.

A majority of ZEVs today are sold at franchised dealerships, and dealers have promoted electrification of America's fleet with billions of dollars of their own capital already committed to investments in facilities, training and inventory. However, consumer demand for EVs is not on pace to meet California's mandates. The primary reasons for sluggish EV growth and national consumer hesitancy are: 1) the average transaction price for an EV is $59,205, while the new vehicle average transaction price is $47,462; 2) an inadequate public charging infrastructure; 3) long charging times (most public chargers take 4-10 hours to charge); and 4) the average price of gasoline is $3.16 a gallon.

For example, in California, EV sales only grew 0.3% last year. To meet California's mandate, the state will need 2.1 million public chargers by 2035. Despite billions in state funding, the state is expected to fall hundreds of thousands of chargers short of its 1 million charger goal by 2030. Without enough public

[1] To comply with California's rule, automakers will have to "deliver for sale" increasingly fewer internal combustion engine (ICE) and hybrid vehicles in the "Sec. 177" states (CA, CO, DE, MA, MD, NJ, NM, NY, OR, RI, VT, WA). This sales mandate is for each automaker and is not based on the state's entire fleet and increases by approximately 8% each model year.
[2] See https://ww2.arb.ca.gov/news/california-moves-accelerate-100-new-zero-emission-vehicle-sales-2035
[3] See https://www.coxautoinc.com/market-insights/q1-2025-ev-sales/

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charging, millions of Californians, especially renters and apartment residents, will be left behind.[4]

Proponents of this mandate claim that automakers can simply "buy credits" from EV manufacturers (such as Tesla) to comply, however, buying credits is not a viable path. The ZEV mandate increases annually from 35% in MY 2026 to 43% in MY 2027 to eventually 100% in MY2035, leaving an ever-shrinking number of credits available for purchase, especially in the later years of the rule. The alternative to buying credits is paying substantial penalties ($20,000 per noncompliant vehicle) or sharply decreasing the allocation of gas cars to the opt-in states.

The economic impact of California's regulation will affect all states. Because California's mandate forces automakers to deliver EVs for sale irrespective of consumer demand, automakers will be forced to either sell more ZEVs or limit the number of gas cars delivered for sale in the affected states. Affordable new gas and hybrid vehicles, which are now in the $30,000-$40,000 range, are expected to be among the first vehicles rationed. The rationing of new gas cars will leave consumers with far fewer vehicle choices and will force consumers throughout the country to pay more for new *and used* cars to reflect consumer demand and to offset automaker losses.[5]

Additionally, California lacks the authority to ban gas vehicles as federal law preempts California's rule since it is "related to" fuel economy. In 1975, Congress passed fuel economy legislation and expressly preempted state regulation "related to" fuel economy in the Energy Policy and Conservation Act (EPCA).[6] This law was intended to prevent the "patchwork" of state vehicle regulation that now exists. Unlike the Clean Air Act waiver granted by EPA, there is no waiver for EPCA. Passing H.J.Res. 88 would allow Congress to take back control of fuel economy rules and stop California's patchwork regulation.

California's ban on new gas vehicles will reduce consumer choice by dictating the type of vehicles automakers are allowed to "deliver for sale" to the 12 affected states and raise car prices for all consumers *nationwide*. EV sales differ greatly by market. America's franchised dealers want to keep selling the vehicles their customers – and your constituents – want and need.

Banning gas and hybrid cars is a national issue that should be decided by Congress, not an unelected state agency. NADA urges the Senate to pass H.J. Res.88 as soon as possible to stop California's ban on new gas cars and support a single, national fuel economy standard set by Congress.

NADA urges a "Yes" vote on Senate passage of H.J.Res. 88. Thank you for your consideration.

Sincerely,

Mike Stanton
President and CEO

[4] See https://www.calibrateca.org/CNCDA
[5] For example, in New Jersey, it is expected the California ban on new gas vehicles will increase new vehicle prices by $3,450, used vehicles would go up $3,000, and 30,700 automotive-related jobs would be lost. It is estimated that 294,500 fewer new vehicles would be delivered for sale in New Jersey to meet the 43% mandate the California rule requires for MY 2027. (NJ CAR "ACCII Electric Vehicle Mandate Impact for New Jersey Consumers") April 28, 2025
[6] 49 U.S.C. § 32919(a)