NADA | National Automobile Dealers Association

EPA's De Facto Electric Vehicle Mandate: Too Far, Too Fast

ISSUE

The Biden Administration has recently finalized new emissions standards that could effectively require 56% 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, the charging infrastructure is not ready, the current incentives are not sufficient, and high EV prices will price out millions of consumers, particularly low-income Americans, from the new-car market. Our experience working with consumers every day makes us highly skeptical that consumers will adopt EVs anywhere near the levels required in EPA's finalized rule. **NADA supports H.J.Res.136/S.J.Res.75, joint resolutions to disapprove of EPA's overly aggressive de facto EV mandate.**

BACKGROUND

On April 18, the Environmental Protection Agency (EPA) finalized its Multi-Pollutant Emissions Standards for Light-Duty and Medium-Duty Vehicles for MY 2027 and Later that could effectively call for 44% of new vehicles in 2030 and 56% of new vehicles sold in 2032 to be EVs. This finalized rule greatly exceeds the current real-world consumer demand for EVs. Also, the rule projects that gas-powered vehicles (including hybrids and plug-in hybrids), now currently 92.9% of the market, could be reduced to 29% by 2032.

Franchised car and truck dealers, with a nationwide network already in place, are essential to sell and service EVs. **Dealers have promoted, and will continue to promote, electrification of America's fleet with billions of dollars of their own capital already committed to investments in facilities, training and inventory.** Despite the dealers' efforts and investments, however, the EPA's final rule remains far ahead of consumer demand. As a result, this rule is not achievable in the time frame provided and would severely limit the ability of consumers to choose a new vehicle that meets their budget and transportation needs.

While dealers are ready to sell and service EVs, this type of vehicle is currently only 7.1% of the new car market, as many Americans cannot afford or conveniently charge an EV. 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 $54,021 in March vs. $47,218 for an average gas-powered vehicle. In March, EV inventory was at a 114-day supply as compared to the industry average 74-day supply. This $6,803 price difference, coupled with inadequate charging infrastructure (to meet demand an estimated 1.2 million public chargers and 20 million private chargers are needed by 2030) and long charging times (most public chargers take 8-30 hours to charge), create market impediments that must be addressed.

NADA supports legislation that would disapprove or prevent funding for the Administration's final light-duty greenhouse gas and fuel economy rules. NADA supported S. 4072, a bill which would stop the EPA from spending funds in FY 2024 to implement its greenhouse gas rule for MY 2027-2032 light- and medium-duty vehicles. NADA also supports H.J. Res. 136/S.J. Res. 75, joint resolutions which would overturn EPA's light-duty de facto EV mandate rule.

KEY POINTS

- **The EPA's rule ignores real world consumer demand and goes too far, too fast**. EPA's de facto EV mandate is flawed because other market conditions to make EVs broadly attractive to consumers must be present for customers to purchase EVs in the volume required by EPA. Those conditions (i.e., vehicle affordability, a sufficient and reliable charging infrastructure, and acceptable charging speeds) simply do not yet exist.
- **EPA's rule limits consumer choice by significantly limiting gas-powered vehicles.** The demand for EVs varies dramatically market-by-market. This massive policy shift will have major implications for rural America and lower-income Americans who cannot afford or have access to charge EVs.
- **The Administration's overly aggressive emissions rule, which was not set by Congress, will result in a new vehicle market that is unaffordable** and does not meet the transportation needs of the average American consumer**.**

STATUS

On April 18, S. 4072 garnered a majority of the Senate with a 52-46 vote, but a 60-vote threshold was needed for passage. Significantly three Democratic Senators and an Independent voted in support of the bill.

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