FAQ on EPA Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles ("GHG Rule")

Q 1. What is the new EPA Rule?

A The Environmental Protection Agency (EPA) has finalized regulations targeting carbon dioxide emissions from light and medium-duty vehicle fleets. Starting with the 2027 model year through the 2032 model year, these regulations mandate that manufacturers adhere to progressively stricter emissions limits.

Q 2. What does the new rule require?

A Under this rule, every manufacturer's fleet (measured by delivery to dealers) must meet increasingly stringent emissions standards each year. To comply, manufacturers can reduce emissions directly through increased sales of battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and more efficient internal combustion engine (ICE) vehicles. Additionally, adopting eco-friendly refrigerants, enhancing aerodynamics, and optimizing air conditioning systems can contribute to compliance.

Q 3. Does this rule regulate what dealers can sell?

A While the rule does not explicitly dictate the inventory dealerships can maintain, it significantly influences it. As OEMs evolve their fleets to comply, gradually favoring BEVs and PHEVs over ICE vehicles, this will impact the availability of certain vehicles to dealerships.

Q 4. What does this mean for EV sales?

A The final rule allows for compliance using a variety of mixes of BEVs, PHEVs, and ICE vehicles. The EPA provided the following compliance pathways. In the pathway where PHEV sales are maximized, new vehicle BEV sales will have to rise from 7.3% for MY2023 to 24% in MY 2027.

Table 3: Projected new vehicle technology penetrations for final Light-duty vehicle GHG standards for varying scenarios	Technology	2027	2028	2029	2030	2031	2032
Pathway A Higher BEV Pathway (central analysis case)	ICE	64%	58%	49%	43%	35%	29%
	HEV	4%	5%	5%	4%	3%	3%
	PHEV	6%	6%	8%	9%	11%	13%
	BEV	26%	31%	39%	44%	51%	56%
Pathway B Moderate HEV and PHEV Pathway	ICE	62%	56%	49%	39%	28%	21%
	HEV	4%	4%	3%	6%	7%	6%
	PHEV	10%	12%	15%	18%	24%	29%
	BEV	24%	29%	33%	37%	41%	43%
Pathway C Higher HEV and PHEV Pathway	ICE	61%	41%	35%	27%	19%	17%
	HEV	4%	15%	13%	16%	15%	13%
	PHEV	10%	17%	22%	27%	32%	36%
	BEV	24%	26%	30%	31%	34%	35%

Q 5. How does the final rule compare to the proposed rule?

A The final rule is a significant improvement over the proposed rule for model years 2027 to 2030. The final rule introduces a more lenient approach for model years 2027 to 2030, reducing the CO2 emissions targets by 25% to 32% compared to the original proposal. MY2031 and 2032, however, will require CO2 emissions, and the corresponding vehicle mix, to be very similar to the aggressive standards in the proposed rule. The improvement is a result of two changes: (1) the required Co2 emissions allowance was greatly increased for MY2027 to 2030, and (2) flexibilities that were proposed to be phased out immediately are now phased out over the life of the rule.

Q 6. What happens if manufacturers do not comply with the regulations?

A Manufacturers that fail to meet the rule's emissions standards will not face "fines" (but could be subject to civil penalties). However, they are required to ensure their fleet's compliance retrospectively, potentially necessitating an increased production of BEVs in future years to offset any discrepancies. As a practical matter, the OEMs will produce and deliver vehicles in line with the regulations.

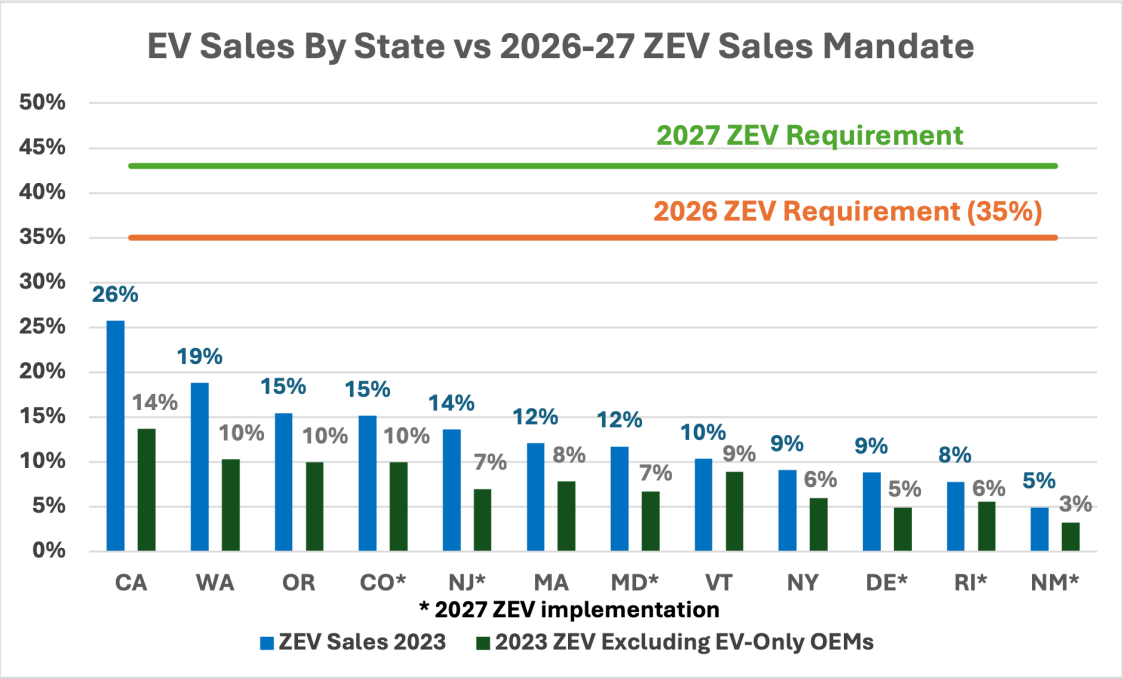
Q 7. How is the EPA rule different than CARB's ZEV mandates?

A The California Air Resources Board (CARB) has implemented its Advanced Clean Car II (ACCII) program, spanning model years 2026 to 2035, demanding a more aggressive shift towards Zero Emission Vehicles (ZEVs). While there is overlap in the objectives of both regulations, CARB's mandates are more stringent, necessitating a larger proportion of EV sales annually compared to the EPA's standards. For reference, PHEV sales historically have been about 25% of BEV sales. This table is based on EPA's Pathway A:

		2027	2028	2029	2030	2031	2032
EPA	ICE+HEV	68%	63%	54%	47%	38%	32%
	PHEV	6%	6%	8%	9%	11%	13%
	BEV	**26%**	**31%**	**39%**	**44%**	**51%**	**56%**
CARB	ICE+HEV	57%	49%	41%	32%	24%	18%
	PHEV	9%	10%	12%	14%	15%	16%
	BEV	**34%**	**41%**	**47%**	**54%**	**61%**	**66%**

So far, 11 states have explicitly adopted CARBs ACCII regulation under § 177 of the Clean Air Act—though 6 of the states will begin requirements in 2027 as opposed to 2026. (2026: MA, NY, OR, VT, and WA; 2027: CO, NJ, MD, DE, RI, NM). As seen in the graph[1] below, many CARB states are nowhere near the new car sales required by ACCII for MY2026/2027.

1. Alliance for Automotive Innovation Comments on ACCII Waiver (https://www.regulations.gov/comment/EPA-HQ-OAR-2023-0292-0182).


EV Sales By State vs 2026-27 ZEV Sales Mandate
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2027 ZEV Requirement
2026 ZEV Requirement (35%)
26%
14%
19%
10%
15%
10%
15%
10%
14%
7%
12%
8%
12%
7%
10%
9%
9%
6%
9%
5%
8%
6%
5%
3%
CA
WA
OR
CO*
NJ*
MA
MD*
VT
NY
DE*
RI*
NM*
* 2027 ZEV implementation
ZEV Sales 2023
2023 ZEV Excluding EV-Only OEMs