Stop California's ZEV Mandate/Sales Ban on Gas Cars Which Will Harm All Vehicle Consumers - *Pass H.J. Res.88*

ISSUE

In December, the Biden administration granted a waiver for California's Advanced Clean Cars II (ACC II) rule which requires new vehicle sales to be 35% Zero Emissions Vehicles (ZEVs) for model year (MY) 2026 and *increases to 100%* in MY2035. No legacy automaker, in California or any of the eleven states (known as Sec. 177 states) that have adopted California's ZEV mandate, is on track to outright meet this mandate for MY2026 or 2027.

California's ZEV mandate will soon start distorting the vehicle market in all states. To comply with the mandate, automakers will need to either sell more ZEVs or sell fewer gas cars in these states. The rationing of gas cars will limit consumer choice and increase vehicle prices throughout the country. **The Senate should pass H.J. Res. 88 to revoke EPA's waiver for California's ZEV mandate.**

BACKGROUND

To comply with California's rule, automakers will have to sell 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). Starting with MY26, which begins this fall, roughly one of every three new vehicles a dealership sells must be a ZEV, increasing by approximately 8% each model year. This sales mandate is for each automaker and is not based on the state's entire fleet. Only all-electric automakers will be able to meet this mandate. For context, EV sales are currently 7.8% of sales nationally. Even conventional hybrids, despite their lower emissions, would be banned under this rule.

Proponents of this mandate claim that automakers can simply "buy credits" from EV manufacturers to comply. However, buying credits is not a viable path, as the ZEV mandate increases from 35% in MY26 to 43% in MY27 to 100% in MY35, leaving an ever-shrinking number of credits available for purchase. With slowing EV sales, fewer credits will be available 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 Sec. 177 states.

While dealers are ready to sell and service EVs, many Americans cannot afford or conveniently charge an EV. The average transaction price for an EV is $59,205 vs. $47,462 for the average new ICE vehicle. This price difference, coupled with inadequate charging infrastructure (to meet demand nationwide, an estimated 1.2 million public chargers and 20 million private chargers are needed by 2030) and long charging times (most public chargers take 4-10 hours to charge) have created market impediments which make compliance with this rule impossible.

KEY POINTS

- **California's ban on gas cars will limit consumer choice and result in higher vehicle prices for all Americans, not just those in the affected states.** Affordable gas car models are expected to be the first to be rationed in the Sec. 177 states. Because California's mandate forces automakers to deliver EVs for sale in states irrespective of whether sufficient consumer demand exists for EVs, prices for new and used gas cars will have to rise throughout the country to offset automaker losses.
- **California lacks the authority to ban gas powered vehicles as California's rule is "related to" fuel economy.** The Energy Policy and Conservation Act (Sec. 32919(a)) explicitly preempts state laws, including California's, "related to fuel economy."
- **NADA supports a single, national fuel economy standard that is achievable, affordable, and maintains consumer vehicle choice.** Banning gas and hybrid cars is a significant national issue that should be decided by Congress, not unelected state officials in California.

STATUS

On May 1, the House passed H.J. Res. 88 by a bipartisan vote of 246-164 with 35 Democrats voting in support. On May 22, the Senate passed the legislation by a bipartisan vote of 51-44. The bill now goes to the President's desk, where he is expected to sign it into law.

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