EPA's New Electric Vehicle Mandate: Too Far, Too Fast

ISSUE

The Environmental Protection Agency (EPA) 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 create a national greenhouse gas standard that is reasonable and achievable for all states and counter EPA's attempts to ban the sale of gas-powered cars.**

BACKGROUND

In May, the 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 be EVs. This proposal exceeds the Biden Administration's 2021 executive order which called for 50% EV sales by 2030. Last year, EV sales were 5.8% of new light-duty sales.

New car and truck dealers are essential to sell and service EVs and already have invested $5 billion of their own capital in the 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.

EPA is limiting consumer choice by forcing Americans into vehicles they might not be able to afford or conveniently fuel. According to Cox Automotive, as recently as Nov. 2022, the average transaction price for electric vehicles was above $65,000. EV prices have since declined to an average price of $53,469 in July, vs. the average price of gas-powered vehicles at $48,334, due primarily to an oversupply of EVs on dealer lots. This $5,000+ price difference, coupled with the lack of an adequate 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 current EPA 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 July 2024. NADA filed comments opposing the rule. The House Department of the Interior, Environment, and Related Agencies Appropriations bill (H.R. 4821) includes language, supported by NADA, to prevent the EPA from spending money to finalize or implement this mandate in the next fiscal year. NADA also supports the "Choice in Automobile Retail Sales" (CARS) Act (H.R. 4468), which permanently prohibits the EPA from finalizing, implementing, or enforcing the proposed rule. H.R. 4468 passed the House Energy and Commerce Committee on July 27. A Senate companion bill (S. 3094) was introduced by Sen. Mike Crapo (R-Idaho) on October 19.

Nov. 28, 2023