To: Interested Parties
From: Becca Ellison, Evergreen Action Deputy Policy Director
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RE: Biden Administration Should Be Leading Faster Electric Vehicle Transition

Light duty vehicles—cars and passenger trucks—are the most climate-polluting part of the most climate-polluting sector of the economy. If the United States hopes to address the climate crisis, eliminate toxic air pollution that disproportionately sickens communities of color, establish ourselves as a global electric vehicle (EV) leader, and create millions of jobs, President Biden must drive swiftly toward 100% clean cars.

Today, the Biden administration announced a path forward on EVs that, unfortunately, does not meet the moment. The proposed administrative rules and the voluntary 2030 EV deployment timeline that the administration announced alongside automakers and the United Auto Workers (UAW) do not together provide an adequate jumpstart to reach 100% clean car sales on the necessary timeline, and they leave our domestic EV industry considerably behind that of other countries.

In particular, the 2030 targets are cause for concern. The executive order that sets a goal of 50% clean car sales by 2030 and the slightly lower "aspirational" target from automakers both underestimate the speed of change that is required in the clean car transformation. Indeed, these targets nearly mimic the rate of change that modelers are expecting in clean car deployment without any intervention or leadership from federal agencies.

The International Energy Agency has made clear—if the world hopes to meet the demands of science and achieve net-zero greenhouse pollution by 2050 to avoid the worst impacts of the climate crisis, it would require "halting sales of new internal combustion engine [ICE] passenger cars by 2035." And to get to 100% clean car sales by 2035, studies suggest that we must achieve roughly 60% clean car sales by 2030. Arguably, the United States needs to move much faster domestically in order to realize this level of deployment globally, which is why the Evergreen Action Plan called for 100% new EV sales by 2030. But the Biden administration's announcements today do not set us on the pace required.

Now, we must get on a better path, or risk ceding the EV market, and our place as a clean technology leader on the global stage. Across the world, at least 14 countries have committed to no sales of new ICE cars by 2035, and of those 14, ten have committed to do so by 2030. In July, the European Commission proposed banning new ICE vehicle sales by 2035 across the European Union, and China plans to sell only "new energy" vehicles by 2035. The Chinese EV industry is positioning itself to capture the global manufacturing and production market. **The Biden administration cannot afford to miss this opportunity.**

Last month, Evergreen released a memo explaining what investments congressional Democrats need to include in 2021 budget reconciliation legislation in order to kickstart a clean car future. But in order to be truly effective, these investments must be coupled with ambitious and enforceable rules from the executive branch so that automakers and their new auto sales move at the speed required. Strong national standards provide clarity to ease the transition, kickstart technology innovation, protect public health, save consumers money, and help address the climate crisis.

This memo will explain why the administration's announcements and the automakers' voluntary commitments today fall short, and what the Biden administration should do next to put us on a better path.

Clean Cars Present a Huge Opportunity, and Strong Government Support is Essential

Driving toward a future with 100% clean cars presents several critical opportunities. By supporting the electric vehicle transition, we can combat the climate crisis, address pollution in disadvantaged communities, dominate the global EV market, and build a domestic clean car manufacturing industry with millions of good jobs.

The global community must achieve net-zero greenhouse gas pollution no later than 2050 in order to avoid the worst impacts of climate change. But that does not mean we have until 2050 to stop producing gas-guzzling cars. The average age of cars on the road in the US is at least 12 years—meaning many cars stay on the road well past 12 years. Only between 5% and 6% of cars on the road each year are new cars that were purchased that year. In short, it takes time for the fleet to turn over, so the Biden administration must take meaningful action now. The faster we reduce pollution in light duty vehicles, the more costly climate disasters and health harms we avoid, the more jobs we create here at home, and the more we can help other countries reduce their greenhouse gas pollution with American-made clean cars. Clean cars help us build a better future.

This goal cannot be achieved without government leadership. Indeed, without the government supporting the movement toward clean cars, less than half of the cars sold in the United States would be electric by 2035, according to current projections. If our production remains this slow, we would be wholly reliant on imported vehicles and components for decades. Without bold action, the American car industry will remain critically behind countries like China, and we will miss the opportunity to cut pollution and support millions of good American jobs in clean and competitive manufacturing industries. According to the International Council on Clean Transportation, only 15% of the $340 billion in global automaker electric vehicle investments is currently slated for the United States.

While congressional investments are critical, executive agencies also need to hold up their end of the bargain. As a Rhodium Group analysis concludes, "[I]nvestment alone is not enough to put the US on a path to 100% electric [light duty vehicle] sales by 2035," let alone by 2030. Investments must be coupled with enforceable regulations that drive toward the goal we need, while also giving industry clarity and stability during the transition to electric and other zero-emission vehicles. The Biden administration must act decisively.

The Proposed Fuel Efficiency and Tailpipe Emission Standards Through 2026 Leave Room For Growth

As a first step, the Biden administration is addressing the system of rules already in place that govern auto sales through 2026. This system was originally designed under the Obama administration, when the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) (which is part of the Department of Transportation) promulgated a joint set of "clean car standards" addressing fuel efficiency and tailpipe pollution, under NHTSA *Energy Policy and Conservation Act* and EPA *Clean Air Act* authority authority, respectively. The first set of these rules governed new auto sales in the U.S. between 2012-2016. Then, for the period of time from 2017-2026, the rules required a 5% annual improvement in the average greenhouse gas pollution from each automaker's car fleet, and in the number of miles the fleet could travel on one gallon a gas, on average.

But these rules did not last—the Trump administration decreased the ambition level to a 1.5% annual improvement in fuel efficiency and tailpipe emissions. Frustrated by this rollback, California, which for decades has set its own tailpipe standards, then struck a deal with automakers that provided for a roughly 3.7% annual improvement. Now the Biden administration has taken up the mantle.

The Biden administration's proposed rules, as announced, attempt to claw back some of the harm done during the Trump administration. The fuel economy and tailpipe pollutants requirements appear to start below the Obama era standards (at the California level), and then ramp up to an annual improvement greater than the Obama standard.

These rules are not ideal, from a climate perspective. Automakers had affirmatively agreed to the Obama rules at the time that they were created, and the climate crisis has only worsened in the intervening years. So for the Biden administration to put forward a standard that does not, straightaway, require an annual improvement equal to or greater than that of the Obama rules is disheartening. Moreover, the Biden rule continues to rely on a questionable system of extraneous compliance credits, trading, and banking that decreases the overall pollution reductions that are made. The proposed rule should be strengthened before it is finalized. And as discussed below, it is critical that the Biden administration adopt a more ambitious set of rules for the years following 2026.

The Executive Order and the "Shared Aspiration" From Automakers for 2030 Are Not Ambitious Enough

The trajectory that the administration is championing for after 2026 is of greater concern. Today, alongside the proposed agency rules, the Biden administration also put forward an Executive Order setting a goal that by 2030 50% of new car sales be electric vehicles. And the administration celebrated the announcement that automakers will aspire to achieve new car sales that are roughly 40% (and perhaps up to 50%, if congressional investments materialize) by 2030. But, to put it simply, this trajectory is inadequate for preserving a livable climate and for the health of the American EV industry in a global marketplace. The voluntary commitments announced by the Biden administration and major U.S. automakers today effectively only mirror the already-projected growth in domestic EV sales, absent any policy intervention. And for some automakers, they even fall short of the public commitments these companies have made about their transition to zero-emission vehicles.

If less than half of new car sales are EVs in 2030, our climate goals could be in jeopardy. Getting to 100% clean car sales by 2035 (which is what is needed to allow the fleet to turn over before 2050) from 40-50% in 2030 would be a tall order—the International Energy Agency has stated that we must reach at least 60% by 2030 to make the 2035 goal. Moreover, by failing to swiftly deploy EVs before 2030, it would also undermine the commitment President Biden made earlier this year to reduce our domestic greenhouse gas pollution 50-52% by 2030—swiftly deploying clean cars could achieve a meaningful portion of that commitment. We can't afford to fall behind on electrifying cars.

Moreover, the "aspirational" sales target that automakers celebrated today does not appear to go much beyond what they would do without support from the executive branch. According to an analysis from the Rhodium Group, under current policy, with no further investments from Congress or rule changes from federal agencies, electric vehicles would make up 27-39% of new car sales by 2031. With investments from

Congress, that percentage rises to 40-52%. So the announcement the Biden administration is highlighting as a foundation of its executive order is not necessarily more than what would happen in business as usual, and indeed could be *less* than what would happen if Congress succeeds in passing needed EV investments.

In fact, automakers themselves have already set company targets that are at least as ambitious, if not more ambitious, than what they claim today are new announcements. Fiat, a subsidiary of Stellantis, has committed to 100% clean cars by 2030. General Motors aims to sell 100% electric vehicles by 2035. And several others, including Ford, have already stated that they will be selling at least 40% or 50% electric vehicles by 2030, eased by the swiftly falling cost of batteries. While the Biden administration acknowledging these targets publicly (alongside support from the United Auto Workers) could have some positive impacts, if it is going to put the power of the federal government behind a private commitment, the administration should lead American industry to the EV deployment level that we need to actually meet the moment, not simply acquiesce to what the industry has already admitted is doable.

If we fail to drive toward 100% clean car sales by 2030, or soon thereafter, we will also fall drastically behind other countries. Several European countries, including the UK, have banned the sale of new gasoline powered cars by 2030. Indeed the EU itself has proposed banning new gasoline cars by 2035. Canada just moved to require that all new cars sales be clean cars by 2035. And China plans to sell only "new energy" vehicles by 2035. If the Biden administration does not take strong action, we may cede the EV market, and our place as a leader of the global community, entirely.

40%, or 50%, clean car sales by 2030 is not enough. The Biden administration must not hamstring itself in putting our domestic EV industry on the path needed.

The Biden Administration Should Craft Post-2026 Rules that Drive Toward 100% Clean Cars on the Needed Timeline

Fortunately, the administration is not locked into anything yet. Regardless of today's voluntary announcement, when EPA and NHTSA craft enforceable rules for the years after 2026, they can and must promulgate more effective and ambitious rules that put us on a path to 100% clean cars by 2030, not 40% or 50%. The Biden administration must design a system of rules that actually addresses the pollution causing the climate crisis.

For the years following 2026, EPA should put in place a rule under the *Clean Air Act* that requires that, by 2030 (or soon thereafter), all new cars sold release zero grams of carbon per mile—they must be zero emission vehicles. This standard should also go beyond greenhouse gases to limit other pollutants, like nitrogen oxides and sulfur oxides, that sicken and kill Americans in communities, particularly communities of color, across the country.

This rule should also address the system of crediting loopholes that is currently in place. The Obama administration rules included a system whereby automakers could earn extra credits if their fleet exceeds compliance with an annual requirement. But these credits were not confined to simply engineering a fleet to be better than the required fuel economy average. Rather, automakers could also earn bonus credits for extraneous things like air conditioning efficiency, adaptive cruise control, and other technologies that do not actually directly improve tailpipe pollution. While this system is intended to create efficiency and reward different kinds of pollution reductions, in reality, automakers often use these flexibilities to avoid making needed changes to the way the fleet runs, and the other technologies that are counted in the crediting system are sometimes of questionable value in terms of actually reducing pollution. And, because different sets of rules applied to vehicles of different sizes, automakers could change their fleet composition in such a way that raised overall pollution, even while meeting the requirements for each category.

As one example of a change that should be made, the post-2026 rule should not allow electric vehicles to serve as a "credit multiplier." Under the Obama rules, an automaker received extra credits for producing electric vehicles. While this was intended to jumpstart the EV industry, automakers could then produce more egregious gas guzzlers and polluters on the other end of its fleetwide average. Given the progress that EVs have made in the interim, and that they must make moving forward, the environmental and public health costs of allowing dirtier vehicles are no longer justifiable. But it appears that, for now, the Biden administration has opted to keep this option in place.

For rules moving forward, the Biden administration could choose from better options: allow EVs to count as normal compliance vehicles; or remove EVs from this particular scheme entirely and focus the fuel economy and tailpipe standards exclusively on the gas-powered vehicle fleet. By confining the set of fuel efficiency and tailpipe standards only to gas-powered vehicles, more needed greenhouse gas pollution reductions could be realized.

As the Biden administration considers its options, states across the country are demonstrating that swift action is possible. Fourteen states, including most recently Minnesota, have adopted California's clean car standards, which are stricter than the federal government's. And now, California, Massachusetts, and New Jersey have all committed to banning the sale of ICE vehicles by 2035. States should continue to be leaders for the clean car transition, but the federal government should also act to implement nationwide standards that leave no communities, and no automakers, behind.

Moving forward, President Biden cannot settle for less ambition than what is needed. The stakes are too high. The administration must put rules in place for post-2026 that drive toward 100% clean cars at the pace required.