



AUTO ALLIANCE

DRIVING INNOVATION®

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MITCH BAINWOL *President & CEO*

April 27, 2017

The Honorable E. Scott Pruitt
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Administrator Pruitt:

On behalf of the Alliance of Automobile Manufacturers, Inc. ("Alliance"), I would like to thank you for helping to initiate two recent efforts that impact our industry:

- 1) EPA's reconsideration of the Final Determination on greenhouse gas standards for light-duty vehicles that was rushed through by the last Administration and;
- 2) Seeking public input on finding opportunities to streamline the complex array of existing regulations that could be repealed, replaced or modified to make them less burdensome.

The Alliance pledges to work with you on the two above actions and the attached harmonization petition as part of our industry's commitment to improve fuel economy and reduce emissions in a responsible and sustainable manner.

As mentioned in our letter to you dated February 21, 2017, the EPA's premature Final Determination improperly accelerated the single most important decision made by the EPA in recent history. By reconsidering the Final Determination, the EPA has exercised its authority to return to the promised Midterm Evaluation ("MTE") process. The MTE is a key component of the One National Program ("ONP") for fuel economy and greenhouse gas ("GHG") regulations in order to determine the appropriateness of Model Year ("MY") 2022-2025 standards. As your Notice of Intent explained, EPA is required under its own regulations to cooperate and interact with the National Highway Traffic Safety Administration ("NHTSA") during the MTE. Reconsideration of the Final Determination allows EPA to closely engage with NHTSA and to return to a well-reasoned process concerning MY 2022-2025 standards that fully accounts for market conditions, technology advancements, "real world" constraints, economic and employment impacts, previously dismissed or misunderstood stakeholder input, and recent compliance trends.

The Alliance appreciates EPA's commitment to revisit the existing record and consider new and more current data to ensure that "technological and economic concerns raised by the regulated community" are adequately considered and will be addressed moving forward. We look forward to working with you and your team on an informed revised Final Determination for the MY 2022-2025 standards that ensures auto manufacturers can meet the targets in a sustainable manner that does not sacrifice consumer choice, affordability, safety, employment, or fleet turnover. (Fleet turnover is a key indicator of a successful program because it demonstrates that consumers are finding that new and more technologically advanced vehicles are affordable which ensures the safest, cleanest, and most efficient new vehicles are on the road.)

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The Alliance plans on working with NHTSA and EPA on the 2022-2025 MY Corporate Average Fuel Economy ("CAFE") and GHG standards and in addressing outstanding harmonization issues between the existing programs (attached). It is important to note that the Energy Policy and Conservation Act (EPCA) uniquely requires NHTSA to consider several key factors as part of its separate rulemaking. These factors include technological feasibility, economic practicability, and the effect of CAFE standards on motor vehicle safety.¹ As such, NHTSA is best suited to take a leadership role in both resolving harmonization issues and in determining final 2022-2025 standards.

The Alliance also looks forward to participating in EPA's implementation of Executive Order 13777: Enforcing the Regulatory Reform Agenda. We plan to both submit comments and work with the EPA's Regulatory Reform Task Force to identify specific rules that can be repealed, replaced, or modified while not affecting the continued advancements in fuel economy and emissions reductions. While an on-going iterative process is most likely necessary to identify regulatory opportunity, the major mobile source needs of the automotive industry can be broken down into three categories: revision and elimination of duplicative and unnecessary requirements, streamlining of certification and approval processes, and ensuring all vehicles and fuels are subject to performance-based metrics.

Duplicative and unnecessary requirements add time and complexity to the development and sale of new vehicles. Multiple vehicle regulatory programs at the Federal and State levels² require separate and duplicative reporting, accounting, and testing. For example, EPA and California have adopted nearly identical procedures for testing and reporting. The EPA should work with California and related stakeholders to either eliminate these duplicative procedures or apply broad "deemed to comply" provisions.

Streamlining the certification and approval processes is also important to industry. Highly concerning is the increased uncertainty and delays to the certification process caused by recently added undefined portable emissions measurement testing, unclear interpretation of auxiliary emissions control devices, and inconsistent approvals of GHG off-cycle credit requests. More certainty is needed for an already highly regulated industry. Regulatory interpretation is at the root of many of the certification challenges that the industry is facing and could be addressed either via guidance or through regulatory modifications.

While we encourage streamlining of the certification process, we are concerned over recent news surrounding the Administration's proposed budget cuts for the agency and the possible negative implications for vehicle certification. Although streamlining may assist the Administration to achieve some of the proposed budgetary goals, the Alliance would like to point out that EPA staff engaged in vehicle certification are critical to our industry and the economy. In addition, fees are currently structured to cover certification and compliance costs. We would be happy to follow up regarding the current fees that manufacturers already provide for critical EPA operations.

Lastly, equal treatment across all fuels and vehicle technologies is another key factor in ensuring a level playing field among automotive competitors. Automobile manufacturers should

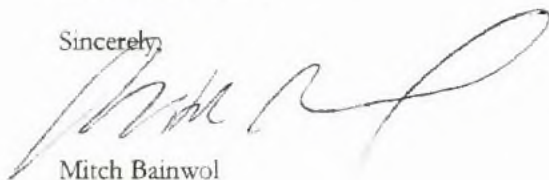
¹ Energy Policy and Conservation Act, as amended, 49 U.S.C. § 32902(f).

² EPA GHG, California Air Resources Board ("CARB") GHG, NHTSA CAFE, Section 177 State GHG programs, CARB Zero Emissions Vehicle Program ("ZEV"), Federal On-Board Diagnostics ("OBD"), CARB OBD, Section 177 State ZEV and LEV programs, EPA Tier 3, and ARB LEV 3.

not be held responsible for emissions associated with the production of electricity (“upstream emissions”) as has always appropriately been the case for petroleum products. This includes both upstream fuel accounting and test procedures. As described in past Alliance comments, manufacturers should not carry the burden of addressing emissions from the production of fuels by other regulated entities that are completely independent of automotive manufacturers. Fuels should not be discredited or penalized at the tailpipe, but rather what is measured should be reported. Furthermore, diesel-fueled vehicles should be allowed the same durability procedures as similar advanced gasoline technology vehicles.

Once again, thank you for the opportunity to share our ideas. The Alliance and its members are highly interested in both regulatory reform and fuel economy standards. We intend to participate in upcoming regulatory reform stakeholder events and follow up with you and your staff on additional suggestions and specifics. We look forward to working with you to further reduce emissions and alleviate unnecessary regulatory burdens while improving fuel economy in a sustainable manner.

Sincerely,



Mitch Bainwol

Attachment: Letter from Mitch Bainwol and John Bozzella to Administrator McCarthy and Administrator Rosekind Re: Petition for Direct Final Rule with Regard to Various Aspects of the Corporate Average Fuel Economy Program and Greenhouse Gas Program.

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