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**Motor & Equipment Manufacturers Association**  
**Comments on**  
**Notice of Intent to Prepare an Environmental Impact Statement**  
**for Model Year 2022 – 2025 Corporate Average Fuel Economy Standards**  
**Docket No. NHTSA-2017-0069-0001**  
**September 25, 2017**

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The Motor & Equipment Manufacturers Association (MEMA)<sup>1</sup> submits these comments to the National Highway Traffic Safety Administration (NHTSA) on the Notice of Intent to Prepare an Environmental Impact Statement (EIS) for Model Year (MY) 2022 – 2025 Corporate Average Fuel Economy (CAFE) Standards. This notice initiates NHTSA’s process for determining the scope of considerations the agency will evaluate in the EIS related to the forthcoming notice of proposed rulemaking (NPRM) on the CAFE targets.

MEMA represents more than 1,000 companies that supply systems and components for use in the light- and heavy-duty vehicle original equipment and aftermarket industries. The motor vehicle components manufacturing industry is the nation’s largest direct employer of manufacturing jobs – employing over 871,000 workers in all 50 states – and contributes nearly \$435 billion in U.S. GDP. Suppliers invest heavily in vehicle research to develop a multitude of technologies and manufacture a wide-range of products, components and systems that make vehicles safer and more efficient.

For reasons explained below, MEMA urges NHTSA to focus on setting the CAFE standards for MYs 2022 – 2025 and remain on course for the current MY2021 standard. NHTSA should determine the preferred action alternative by carefully balancing the economic practicability of all industry stakeholders, the technological feasibility forecasted by NHTSA, and the Energy Policy and Conservation Act of 1975 (EPCA) statutory requirements for environmental and resource considerations.<sup>2</sup>

### **Suppliers Role in and Support of the CAFE Program**

Motor vehicle suppliers play the leading role in developing an array of innovative materials and technologies that improve vehicle fuel efficiency and reduce emissions. Suppliers anticipate the needs of vehicle manufacturers’ (also known as original equipment manufacturers, or OEMs) by

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<sup>1</sup> MEMA represents its members through four divisions: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Motor & Equipment Remanufacturers Association (MERA); and, Original Equipment Suppliers Association (OESA).

<sup>2</sup> 82 Fed Reg at 34741

investing, developing, and deploying multiple technology solutions critical to OEMs' strategies in meeting the CAFE targets. MEMA provides NHTSA with input on the issues that are relevant to suppliers' role in helping our OEM customers meet the CAFE standards.

Motor vehicle suppliers support environmental policies that enable the introduction of new technologies necessary to facilitate sustainable mobility. As a result, MEMA supported, and continues to support, Congress's passage of the Energy Independence and Security Act of 2007 (EISA) amendments to the EPCA. In response to the CAFE program, MEMA members have made significant investments in new and innovative emissions-reducing and fuel efficiency technologies.

Moreover, MEMA supports the One National Program with the U.S. Environmental Protection Agency (EPA), NHTSA and the California Air Resources Board (ARB). As NHTSA initiates this first step to conduct a *de novo* rulemaking to establish CAFE standards for MYs 2022–2025, MEMA urges the agency to continue to work closely with EPA and ARB. NHTSA should focus on collaborating with the other agencies to provide the industry with optimal alignment and consistency as contemplated by the National Program.<sup>3</sup>

MEMA supports stability in the One National Program. Stability in the fuel efficiency targets and timeline provides critical regulatory certainty for motor vehicle suppliers. This regulatory certainty is an essential factor in the industry's equation for suppliers to make the necessary long-term business and technology investment decisions. This certainty enables suppliers to advance development, to continually innovate and to turn research technologies into commercially viable products necessary to meet the CAFE standards for MY2017 and later.

### **NHTSA Should Not Change Course on the Current Fuel Efficiency Target for MY2021**

The NHTSA's EIS notice states that, as part of the CAFE *de novo* rulemaking, "NHTSA may evaluate the MY2021 CAFE standards it finalized in 2012 to ensure they remain the 'maximum feasible.'"<sup>4</sup> MEMA opposes any change because any shift to the MY2021 CAFE standards currently in place would significantly increase the level of uncertainty for the supplier industry in an already uncertain time. NHTSA must remain on course for the MY2021 standard as this was the target agreed to by the industry in 2012. MEMA urges NHTSA to instead focus the forthcoming EIS and the *de novo* rulemaking on setting CAFE standards for MYs 2022 – 2025 as the agency indicated it would do in the 2012 final rule.

If NHTSA does evaluate the CAFE standard for MY2021, the agency must consider the potential detrimental impact on automotive suppliers. Suppliers have made long-term investment decisions based on the MYs 2017 – 2021 standards set in the previous rulemaking.<sup>5</sup> Based on MEMA's recent economic study, vehicle suppliers have seen an overall 19 percent increase in employment

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<sup>3</sup> Presidential Memorandum on Announces National Fuel Efficiency Policy (May 19, 2009) available at <https://obamawhitehouse.archives.gov/the-press-office/president-obama-announces-national-fuel-efficiency-policy> and Presidential Memorandum Regarding Fuel Efficiency Standards (May 21, 2010), available at <https://obamawhitehouse.archives.gov/the-press-office/presidential-memorandum-regarding-fuel-efficiency-standards>

<sup>4</sup> 82 Fed Reg at 34742

<sup>5</sup> 2017 and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards (Docket Numbers EPA-OAR-201-0799; FRL-9495-2; NHTSA-2010-0131)

since 2012 – a growth rate that is three times that of other major sectors of the U.S. economy.<sup>6</sup> The growth rate for just original equipment automotive suppliers was slightly higher at 23.3 percent.<sup>7</sup> Industry growth can partly be attributed to advanced technology development as a result of the 2012 rulemaking. Reducing the stringency of the MY2021 standard would result in significant adverse economic impacts – including loss of jobs – to the substantial long-term investment levels to which suppliers committed in 2012. These investments include extensive research and development, human capital, and manufacturing equipment and facilities to satisfy customer fuel efficiency regulatory requirements. A failure to consider these adverse economic ramifications on vehicles suppliers, and the motor vehicle industry as a whole, would be arbitrary and capricious. Therefore, NHTSA must weigh the economic effect to motor vehicles suppliers when determining whether changes should be made to the standard. *See Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983).

NHTSA must not change course from its prior standard-setting final rule for MYs 2017 – 2021 without considering the potential detrimental impact on automotive suppliers, and providing a reasoned, fact-based explanation for the change. If the agency changes the standard for MY2021, and effectively rescinds a final rule, the agency is required to provide a more substantial reasoned explanation for the change than if the agency was simply setting policy for the first time. Furthermore, the agency is required to provide a more reasoned explanation for a policy change if the agency is imposing undue hardship by abruptly changing direction on a policy, policy on which suppliers have based long-term investment decisions. *See Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42 (1983). *See also Anaheim v. F.E.R.C.*, 723 F.2d 656, 659 (9th Cir. 1984).

Moreover, if NHTSA fails to consider the significant adverse economic implications to the supplier industry, it would also be contrary to the spirit of the EISA. When Congress directed NHTSA to determine what level of CAFE stringency would be the “maximum feasible,” they told NHTSA to consider, among other things, “economic practicability.”<sup>8</sup> NHTSA defines “economic practicability” in the 2012 final rule as “whether a standard is one ‘within the financial capability of the industry, but not so stringent as to ‘lead to’ adverse economic consequences, such as a significant loss of jobs or the unreasonable elimination of consumer choice.’”<sup>9</sup> Therefore, NHTSA must take into consideration the economic implications to the supplier industry in its reassessment of the ‘maximum feasible’ standard for MY2021.

Changing the stringency of the MY2021 standard would impose significant uncertainty to the supplier industry by causing a large-scale investment disruption, would require NHTSA to provide a substantial reasoned explanation justifying the reverse in policy, and would fail to meet NHTSA’s definition of “economic practicability.” Therefore, MEMA urges NHTSA to not reopen the MY2021

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<sup>6</sup> “Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S.” MEMA and The Boston Consulting Group, January 2016, pg. 2. [https://www.mema.org/sites/default/files/MEMA\\_ImpactBook.pdf](https://www.mema.org/sites/default/files/MEMA_ImpactBook.pdf)

<sup>7</sup> *Ibid* pg. 9

<sup>8</sup> 49 U.S.C. § 32902(f)

<sup>9</sup> 77 Fed Reg 62623 and 62668 (Oct. 15, 2012)

standard and instead focus the forthcoming EIS and the rulemaking on setting CAFE standards for MYs 2022 – 2025 as the agency was directed.

### **Assessing the Action Alternatives for MYs 2022 - 2025 for the EIS**

The EPCA directs NHTSA to prescribe average fuel economy standards that “increase ... ratably” beginning with MY2011 – MY2020.<sup>10</sup> Yet NHTSA has no statutory requirement to set average fuel economy standards that “increase ... ratably” in MY2021 – MY2030. However, for MYs 2022 – 2025, NHTSA is still required to set the average fuel economy standards at the maximum feasible level. This level is determined by considering four statutory factors: 1) technological feasibility, 2) economic practicability, 3) the impact of other state or federal regulations on fuel economy, and 4) the national need to conserve energy.<sup>11</sup> NHTSA defined these statutory terms for the 2012 rulemaking and decided the appropriate weighing of these factors to determine the maximum feasible standards for MYs 2017 – 2021.<sup>12</sup> NHTSA will now determine the appropriate weighing for these factors for setting the MYs 2022 – 2025 standards given the circumstances for this rulemaking.

In the notice, NHTSA requests comments on how it should “define and balance the statutory criteria to choose the preferred alternative [of the potential CAFE standards], given NHTSA’s criteria in setting ‘maximum feasible’ fuel economy standards.”<sup>13</sup>

When defining and determining how to weigh the “economic practicability” criteria, NHTSA must take into consideration the potential economic and cost implications not only to the consumers and OEMs, but also the motor vehicle suppliers. Suppliers are responsible for providing the technologies and components that make up more than 77 percent of the value of a new vehicle. Suppliers make up 2.9 percent of the total U.S. employment market and are the largest sector of manufacturing jobs in the nation (directly employing 871,000 workers).<sup>14</sup> In contrast, the motor vehicle manufacturers directly employ 322,000 workers. For context, out of the auto manufacturing sectors’ 7.25 million direct and indirect jobs, suppliers make up 43 percent of those jobs compared to automakers’ 33 percent and auto dealers’ 22 percent.<sup>15</sup> NHTSA must weigh the economic and employment effect to motor vehicles suppliers when determining whether changes should be made to the standards.

The National Program standards for MYs 2017 – 2025 provide regulatory stability, economies of scale, and certainty on long-term investments. Suppliers committed to investment decisions in 2012 to ensure OEMs could meet fuel efficiency regulatory requirements through 2025. Major changes to the stringency of the standards for MYs 2022 – 2025 would result in significant ramifications on supplier jobs as well as business and technology investments in the United States.

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<sup>10</sup> 49 U.S.C. § 32902(b)(2)(C)

<sup>11</sup> 49 U.S.C. § 32902(f)

<sup>12</sup> 77 Fed Reg 62627 (Oct. 15, 2012)

<sup>13</sup> 82 Fed Reg 34743

<sup>14</sup> Based on 2015 employment numbers.

<sup>15</sup> Alliance of Automobile Manufacturers’ *Cars Move America: State of the Auto Industry* available here: [https://autoalliance.org/wp-content/uploads/2017/01/2016\\_Cars\\_Move\\_America\\_Report.pdf](https://autoalliance.org/wp-content/uploads/2017/01/2016_Cars_Move_America_Report.pdf)

If CAFE targets are greatly relaxed for MYs 2022 – 2025, it would be a significant disadvantage to U.S. companies that provide the innovative technology necessary for OEMs to meet the U.S. and other forward-moving global standards. Significant changes to the CAFE standards will create a scenario where the U.S. falls behind and allows Europe to have more stringent fuel efficiency targets. Further, in an increasingly competitive global market place, relaxing the standards would tilt the balance away from American innovation where U.S. companies currently have a competitive edge. The National Program’s aligned long-term targets have thus far provided certainty to the domestic supplier industry and have provided economic and technology development opportunities. The direction of the standards and the rate of improvement have been key to U.S. companies’ global leadership in the introduction and growth of innovative fuel efficiency technologies.

MEMA urges NHTSA to ensure that the U.S. continues its position as a global leader in the development of these important fuel efficiency technologies and enhance U.S. competitiveness in the motor vehicle industry worldwide. NHTSA should include these factors of global leadership and U.S. competitiveness in the definition of ‘economic practicability.’ NHTSA should also consider these factors when balancing EPCA’s statutory criteria when determining the preferred action alternative for the CAFE standards for MYs 2022 – 2025.

### **Setting the Stringency of the Lower and Upper Bounds**

NHTSA requests comments on the “stringency levels at which to define the lower and upper bounds of this range of reasonable alternatives” for the EIS.<sup>16</sup> In 2012, NHTSA’s EIS set parameters for ranges of reasonable alternatives for MYs 2022 – 2025 CAFE standards.<sup>17</sup> The 2012 upper and lower bounds of these parameters generally remain within the range of reasonable alternatives, considering current technological factors. As a result, these general upper and lower bounds established in NHTSA’s 2012 EIS should remain in 2017. Further, keeping these parameters will allow continued progress and allow NHTSA to stay generally aligned with EPA’s greenhouse gas (GHG) standards for MYs 2022 – 2025 as they were set in 2012. As a result, these programs will stay harmonized and stay true to the spirit of the National Program.

These recommendations on the lower and upper bounds are based on NHTSA’s technological feasibility forecasts (in the draft Technical Assessment Report, the 2017 Projected Fuel Economy Performance Report and other published data),<sup>18</sup> which suggest the CAFE standards should generally stay the course for MYs 2022 – 2025. NHTSA’s technological forecasts so far have been accurate and have correctly predicted the vehicle manufacturers’ fuel efficiency performance and

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<sup>16</sup> *Ibid.*

<sup>17</sup> Corporate Average Fuel Economy Standards Passenger Cars and Light Trucks Model Years 2017 – 2025, Final Environmental Impact Statement Summary, July 2012. Docket No. NHTSA-2011-0056

<sup>18</sup> Draft Technical Assessment Report on the Midterm Evaluation (MTE) of Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy for Model Years 2022-2025 and the 2017 Projected Fuel Economy Performance Report found here: [https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/my\\_2015\\_and\\_2016\\_projected\\_fuel\\_economy\\_performance\\_report\\_final.pdf](https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/my_2015_and_2016_projected_fuel_economy_performance_report_final.pdf)

their abilities to meet the CAFE targets. As a result, the brackets set in NHTSA's 2012 EIS should remain in 2017.

Most importantly, MEMA supports continued progress on the CAFE targets for MYs 2022 – 2025. While MEMA supports further flexibilities in the CAFE program, the direction of the standards is paramount to the supplier industry. Again, the long-term National Program standards have provided regulatory certainty and stability to suppliers, supporting supplier jobs, supporting business and technology investments, and allowing the industry to become global innovation leaders.

## **Conclusion**

In conclusion, MEMA requests that NHTSA focus on setting the maximum feasible standards for MYs 2022 – 2025 and not change the MY2021 standard. NHTSA needs to keep the lower and upper bounds used in the 2012 EIS, determine the preferred action alternative by carefully balancing economic practicability of all industry stakeholders, the technological feasibility forecasted by NHTSA, and EPCA's statutory requirements for environmental and resource considerations.<sup>19</sup>

Thank you for consideration of these comments. For more information, please do not hesitate to contact Laurie Holmes, senior director of environmental policy at [lholmes@mema.org](mailto:lholmes@mema.org) or 202-312-9247.

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<sup>19</sup> 82 Fed Reg at 34741