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## Motor & Equipment Manufacturers Association

### Comments on

### **Alternative Method for Calculating Off-Cycle Credits under the Light-duty Vehicle Greenhouse Gas Emissions Program: Applications from BMW Group, Ford Motor Company, and Hyundai Motor Group**

**Docket No. EPA-HQ-OAR-2017-0189**

**July 19, 2017**

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The Motor & Equipment Manufacturers Association (MEMA)<sup>1</sup> submits these comments to the U.S. Environmental Protection Agency (EPA) on Alternative Method for Calculating Off-cycle Credits under the Light-duty Vehicle Greenhouse Gas (GHG) Emissions Program applications as cited above. MEMA and the motor vehicle supplier industry are committed to policies that enable the introduction of innovative technologies that reduce vehicle emissions including the off-cycle carbon dioxide (CO<sub>2</sub>) technology credit program.

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 GDP. Our members innovate and develop a multitude of technologies and manufacture a wide-range of products, components and systems aimed at improving vehicle efficiencies and reducing emissions.

MEMA strongly supports the off-cycle technology credit program. MEMA welcomes the opportunity to provide general comments about the important benefits of the off-cycle credit program, our support for improving the off-cycle credit process, and EPA's position on limits (or caps) on credits for A/C efficiency.

#### ***Support of the Off-Cycle Technology Credit Program***

Motor vehicle suppliers play a significant role in developing and engineering innovative technologies. Suppliers invest heavily to offer multiple technology solutions critical to the vehicle manufacturers' (also known as original equipment manufacturers, or OEMs) strategies in meeting

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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).

the GHG targets. Motor vehicle suppliers have a vested interest in making sure these technologies are easily deployed and utilized by OEMs.

Therefore, MEMA strongly supports the off-cycle technology credit program. This program recognizes these important technologies that increase fuel efficiency and reduce GHG emissions, but are not adequately measured on the Federal Test Procedure. The off-cycle credit program properly incentivizes the supplier development and OEM deployment of fuel-saving and emission-reducing technologies.

The off-cycle technology credits are not loop holes. In fact, they offer measurable, demonstrable, and verifiable real-world benefits that improve efficiencies and reduce GHG emissions. One gram of CO<sub>2</sub> per mile on the 2-cycle test does not equate to one gram of CO<sub>2</sub> in the real world or on the 5-cycle test. Historical data clearly demonstrates that real-world fuel economy obtained by consumers is appreciably lower than the published drive cycle test fuel economy. That gap has steadily increased each year. These off-cycle technologies are essential to the long-term success of the EPA light-duty vehicle GHG emissions program. Moreover, this program is critical in spurring innovation and incentivizing adoption of these important technologies.

### ***Support of Improving the Off-Cycle Petition Process***

MEMA appreciates EPA's commitment to the integrity of the off-cycle technology credit program. We understand EPA is limited in how much streamlining it can allow for the off-cycle petition process. Nonetheless, MEMA urges EPA to continue to examine options for improving the off-cycle petition process so that it can continue to be a viable option for OEMs.

There have been four applications from four OEMs for the SAS compressor technology to date. All applications used a similar test methodology. The off-cycle petition process is a long, onerous process for both the agency and OEMs. These delays impede the ability of suppliers and OEMs to make technology investment decisions and effectively plan for compliance due to the length of application reviews and uncertainty of the outcome. MEMA recommends evaluating each off-the-menu, off-cycle credit petitions from OEMs for their applicability across the industry. If the agency finds that the technology is applicable industry-wide, the off-cycle technology should be added to the pre-defined menu for all OEMs to benefit. If the appropriate off-cycle technologies are gradually added to the off-cycle technology menu, this would be a significant reduction in workload for the agency and OEMs.

Further, suppliers should be allowed to directly petition for a specific technology they offer to be eligible for a minimum credit. Since suppliers are developing technologies that could be implemented by multiple OEMs, it makes sense for suppliers to provide the agency with an initial application for a technology to be eligible for credits. A supplier process would lower investment risks for both the OEM and supplier while reducing the workload for the agency and OEMs.<sup>2</sup>

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<sup>2</sup> Please see MEMA's previous comments on this issue at [EPA-HQ-2015-0827-4314](#), [EPA-HQ-OAR-2015-0827-6167](#), and [EPA-HQ-OA-2017-0190-46722](#).

### ***A/C Efficiency Credits and Credit Caps***

MEMA recommends the agency discontinue counting air conditioning (A/C) efficiency credits toward the cap on A/C efficiency credits if earned through the off-cycle petition process. EPA explains in the cited notice (and other agency documents) that A/C credits earned through the off-cycle credit petition process for improving the efficiency of A/C systems count towards the A/C efficiency credit cap.<sup>3,4</sup> EPA argues that the cap is set because the additional fuel consumption of A/C systems can never be reduced to zero and the credit limit established reflects the maximum possible reduction in fuel consumption projected by EPA.

However, the A/C efficiency credit cap was established to limit the credits gained through the Motor Air Conditioning (MAC) indirect credit menu. Credits earned through the MAC indirect credit menu may be based on different testing procedures than those credits earned through the off-cycle petition process. Further, no credit cap is applied to credits earned through the off-cycle petition process.<sup>5</sup> Therefore, any credits for A/C efficiency technology obtained through the off-cycle petition process should not be counted toward the cap.

We agree with EPA's statement in the draft Technical Assessment Report that A/C efficiency technologies have the *potential* to "continue to expand and play an increasingly important role in overall vehicle GHG reductions."<sup>6</sup> However, counting A/C efficiency technology credits obtained through the off-cycle petition process toward the A/C efficiency credit cap will significantly stifle development and innovation of these important technologies. Suppliers will have little justification to continue investing in and developing new A/C efficiency technologies. Additionally, without a credit to offset the technology costs, the incentives for OEMs to continue to deploy A/C efficiency technologies are lessened or removed.

MEMA encourages the agency to provide deference to each application and consider the overall data provided in the application before applying credits to the overall A/C efficiency credit cap.

MEMA strongly supports the off-cycle technology credit program and appreciates EPA's commitment to maintaining its integrity. We endorse efforts by the agency to improve the off-cycle technology credit process, and encourage the agency to continue to do so. We urge the agency to discontinue counting A/C efficiency credits earned through the off-cycle petition process toward the cap on A/C credits.

Thank you for consideration of these comments. For more information, please do not hesitate to contact Laurie Holmes, senior director of environmental policy or Leigh Merino, senior director of regulatory affairs.

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<sup>3</sup> EPA Alternative Method for Calculating Off-cycle Credits Under the Light-duty Vehicle Greenhouse Gas Emissions Program: Applications from BMW Group, Ford Motor Company, and Hyundai Motor Group, June 19, 2017, pg. 7.

<sup>4</sup> Draft Technical Assessment Report (TAR): Midterm Evaluation of Light-duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards for Model Years 2022 – 2025, September 2016, pg. 5-210.

<sup>5</sup> 40 CFR S.86.1869-12.

<sup>6</sup> Draft TAR pg. 5-208.