The Vehicle Suppliers Association

Comments of

MEMA, The Vehicle Suppliers Association

to the

National Highway Traffic Safety Administration (NHTSA)

on the

Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III

For

Model Years 2022-2031 Passenger Cars and Light Trucks

Docket No. NHTSA-2025-0491

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I. Introduction

MEMA, The Vehicle Suppliers Association, is the leading trade association in the United States for vehicle suppliers, parts manufacturers, and remanufacturers. The mobility sector depends on the resiliency and strength of suppliers, and MEMA has been the voice of the supplier industry since 1904. MEMA's members conceive, design and manufacture the technology, components, and services that enable the production of new vehicles, as well as the essential maintenance and repair of the more than 295 million highway vehicles[1] that are currently on the road in the U.S.

MEMA submits these comments to the National Highway Traffic Safety Administration (NHTSA) on the *Safer Affordable Fuel Efficient (SAFE) Vehicles Rule III for Model Years (MYs) 2022-2031 Passenger Cars and Light Trucks* Notice of Proposed Rulemaking (NPRM).[2] MEMA appreciates the agency's willingness to engage with stakeholders for this rulemaking and to provide this opportunity for input.

MEMA supports regulatory stability and technology-neutral compliance pathways for vehicle suppliers, along with continued progress in fuel economy standards that account for investment decisions based on existing law. Therefore, based on an assessment of the proposed alternatives NHTSA proffered in the NPRM, MEMA urges NHTSA to adopt – at a minimum – its proposed Alternative 3 or a modified Alternative 3+. Stagnation, or minimal improvements in the fuel economy standards, will have negative impacts on continued

[1] S&P Global Mobility, *U.S. Vehicles in Operation (VIO) Data* (Jan. 1, 2024) (unpublished dataset) (on file with MEMA). This figure includes passenger cars, light trucks as well as medium and heavy-duty trucks.

[2] *The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks*, 90 Fed. Reg. 56,438 (proposed Dec. 5, 2025) (proposed) (*SAFE III)*.

supplier growth, as well as the role of the U.S. as a leader in technology deployment. Suppliers operate in a global landscape and compete in foreign markets.

The vehicle supplier sector shares the Administration's objectives of strengthening the domestic manufacturing base, growing U.S. manufacturing jobs, and ensuring more opportunities for communities across the U.S. With more than 932,000 individuals employed across the nation, vehicle suppliers represent the largest sector of manufacturing jobs in the United States.

II. Summary of Comments

MEMA is eager to work with NHTSA on solutions that provide consumers with choice, balance the complexities of the vehicle supply chain, and maintain the U.S. vehicle supplier sector's global leadership. MEMA urges NHTSA to consider the importance of a robust, technology-neutral standard that promotes technological feasibility and global competitiveness, while supporting U.S. companies and strengthening domestic job creation.

- MEMA Supports Regulatory Stability: Consistency in standards is critical to keep the U.S. motor vehicle industry competitive and maintain the U.S.'s leadership in technology deployment. Clear and reliable standards should consider all technology offerings, balance stakeholder interests, and allow consumers the opportunity to purchase vehicles that best meet their needs.
- MEMA Supports Continued Progress in the Standards: The motor vehicle industry, drawing upon a mix of technologies, has shown continued year-over-year improvements in meeting the stringency of the fuel economy standards for passenger cars and light trucks. These improvements have been supported by a long-term regulatory approach that enables stability for investment in the vehicle manufacturing supply chain. The Environmental Protection Agency's (EPA) *Automotive Trends* Report indicates that continued improvements in fuel economy are due to both technological advances and consumer demand.[3]
- MEMA Supports a Credit Program that Continues to Account for Technology and Innovation Investment: Independent of the stringency of the standards, it is essential for the fuel consumption improvement values (FCIV) program to continue for compliance calculations. By providing technology-specific compliance incentives that encourage early and fleetwide deployment of advanced efficiency technologies not otherwise reflected in test-cycle measurements, the FCIV program supports supplier investment in innovation, improves deployment volumes necessary for cost recovery, and helps sustain competitive market conditions for domestic vehicle suppliers.[4] MEMA

[3] U.S. Environmental Protection Agency, *The 2024 EPA Automotive Trends* Report, EPA-420-R-24-022 (Nov. 2024), https://www.epa.gov/automotive-trends/highlights-automotive-trends-report#Highlight6.

[4] *See id.* (discussing penetration of advanced efficiency technologies and the role of off-cycle incentives in accelerating deployment); MEMA, *Employment Impacts of Light-Duty Fuel Economy regulation on U.S. Vehicle Suppliers* (2024) (explaining relationship between regulatory design, supplier investment, and manufacturing

urges the agency to continue the current FCIVs program, which provides real-world fuel economy benefits, allows for expanded consumer choice, and represents an important pathway to compliance for the motor vehicle supply chain.

- **MEMA Supports Alternative 3 or a Modified Alternative 3+ that Preserves Curve Continuity and Compliance Flexibility.** At a minimum, MEMA supports Alternative 3, or a modified Alternative 3+, as these options best maintain continuity with already-existing supplier investment cycles, preserve linearity in the fuel economy curve, and avoid abrupt inflection points that compress deployment timelines and increase stranded investment risk across the supplier ecosystem. As discussed in greater detail below, MEMA emphasizes that the curve shape and not just aggregate stringency, is central to supplier feasibility.

III. Supplier Investment Reality – Regulatory Stability Encourages Investment and Innovation

MEMA supports the Administration's goals to increase domestic manufacturing. To do so, it is essential that suppliers have regulatory stability as a durable framework to guide capital investments and workforce planning decisions. It is critical that the standards strike a balance between strengthening the U.S. supplier sector, continuing American technological leadership, providing greater consumer choice, and keeping vehicles affordable. MEMA encourages NHTSA to set the standards at a level that provides the predictability needed for continued investments and associated employment growth.

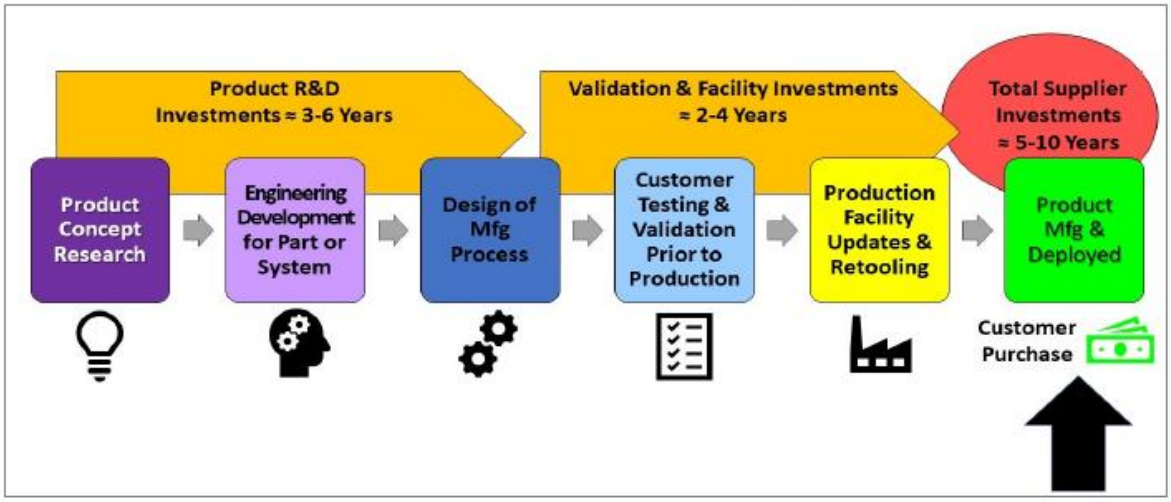
a. Vehicle Suppliers Have Lengthy Investment Timelines

MEMA respectfully requests that NHTSA consider the lengthy product planning and investment timelines required by vehicle suppliers to ensure the safe deployment of new technologies. Suppliers have made long-term planning decisions and have committed to developing the necessary technologies and materials for their customers to meet the targets set for MY 2022-2031. The supplier sector has seen continued employment growth, which is directly tied to the development and deployment of advanced technologies.[5] Changes in the direction of the standards potentially alter the timeline for advanced technologies that are currently under development. This scenario, in turn, creates uncertainty for investments in the full suite of technology options that appeal to various consumers and help to meet changing demand, as described in more detail below.

employment); 49 U.S.C. § 32902(a)(requiring consideration of technological feasibility and economic practicability in setting CAFE standards).

[5] MEMA, *Employment Impacts of Light-Duty Fuel Economy Regulation on U.S. Vehicle Suppliers* (2024) (unpublished report) (on file with MEMA) (hereinafter MEMA Employment Study) .

Graphic 1: Motor Vehicle Parts Suppliers Product Planning and Investments Timeframe



Suppliers provide the initial investments associated with developing advanced technologies and assume the associated risk. The research, development, validation, and deployment of these technologies require significant lead-time and economic resources. The above graphic demonstrates the timeline for average supplier product planning and investment. This timeline includes several stages and can span from 5-10 years depending on the technology. It is critical to note that suppliers do not recoup their investments until these technologies are deployed by the final customer, i.e., the vehicle manufacturers. The return on investment is carefully planned over this time period. Changes to the deployment timeline, a product's lifespan, or customer demand jeopardizes these investments.

Significant changes in policy critically disrupt these ongoing development cycles and create uncertainty surrounding investment and employment growth. An abrupt adjustment will slow the deployment of technologies that improve fuel efficiency. Suppliers are already anticipating reduced deployment of some key fuel efficiency technologies, such as lightweighting. Stability in the direction of improving fuel economy standards would allow suppliers to better plan, develop, and deploy advanced technologies in the U.S. Therefore, MEMA encourages NHTSA to consider and explicitly address the supplier timeline and risk of stranded investments in the final rule, regulatory impact analysis, and implementation guidance.

b. Regulatory Stability is Critical to Supplier Planning

MEMA has long expressed concerns surrounding regulatory stability, including in its comments submitted to the June 2024 final rule.[6] In response to the 2023 Notice of Proposed

[6] MEMA, *Comments on Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027*-2031, Docket No. NHTSA-2023-0022 (submitted Oct. 2023) (on file with MEMA) (hereafter MEMA 2023 CAFE Comments).

Rulemaking,[7] MEMA urged NHTSA to finalize a rule with clear timelines that was both technologically and financially feasible, while respecting current and future supply chain needs.[8] MEMA further explained that such stability would allow manufacturers to recoup their investments and eliminate stranded capital that could negatively impact the ability of suppliers to continue to invest in research and development.[9] MEMA expressed concerns about the proposed stringency levels as well, noting that the preferred alternatives were stringent, and that better consideration of infrastructure challenges was needed.[10]

It is within the context of the standards set in June 2024 that suppliers have been making extensive planning and investment decisions. MEMA encourages NHTSA to consider all available science, data, and inputs when developing its final rule, to ensure that the finalized standards strike an appropriate balance of ensuring technological feasibility, strengthening the supplier sector, providing consumer choice, and keeping vehicles affordable.

c. Regulatory Stability and Investment Backed Expectations

MEMA reiterates its longstanding concern that frequent and material shifts in CAFE program design, whether toward increased or decreased stringency, undermine supplier investment planning and distort capital allocation decisions. In its 2023 comments, MEMA emphasized that suppliers make irreversible, long-lead investments based on reasonable expectations of regulatory continuity and predictable compliance mechanisms.[11] The *SAFE III* proposal, while reducing modeled stringency relative to prior rules, nonetheless introduces a new form of regulatory disruption by simultaneously altering credit treatment, eliminating inter-manufacturer trading, and changing the analytical framework used to set future standards beginning in MY 2028.

From the supplier perspective, these combined changes risk recreating the same form of regulatory "whiplash" MEMA cautioned against in 2023; not through escalating requirements, but through compressed recovery horizons and increased uncertainty regarding the durability of existing compliance pathways. Suppliers cannot readily pivot tooling, manufacturing processes, or research and development (R&D) portfolios in response to mid-cycle structural changes, particularly where investments were based on prior regulatory frameworks with more stringent target standards.

MEMA believes it is essential for NHTSA to evaluate *SAFE III* not only in terms of aggregate stringency, but also in terms of whether the proposal preserves stability and avoids

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[7] *See* MEMA 2023 CAFE Comments (explaining that supplier investments in advanced fuel efficiency and electrification technologies are capital-intensive, depend on predictable regulatory trajectories for cost recovery, and face increased risk of becoming stranded when regulatory assumptions chance); *Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027-2032 and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030-2035*, Notice of Proposed Rulemaking, 88 Fed. Reg. 56,129 (proposed Aug. 17, 2023) (to be codified at 49 C.F.R. pts. 523, 531-34, 537).

[8] *See* MEMA 2023 CAFE Comments, supra note 5, at 1-2.

[9] *See* MEMA 2023 CAFE Comments, supra note 5, at 3-4.

[10] *See* MEMA 2023 CAFE Comments, supra note 5, at 1-3, 10.

[11] *See* MEMA 2023 CAFE Comments, supra note 5, at 1-3.

abrupt shifts that impair the ability of suppliers to successfully leverage investments already made to support current vehicle manufacturer/Original Equipment Manufacturer (OEM) compliance strategies.

MEMA further urges NHTSA to explicitly account for the supplier business plans set in motion that influenced capital investments, workforce planning, and technology development strategies in response to the standards finalized in June 2024. Suppliers made multi-year, investment-backed commitments based on the regulatory framework in place at that time, including assumptions regarding standard trajectories, credit availability, and compliance flexibility.

The courts have repeatedly recognized that agencies must consider serious reliance interests when modifying existing regulatory regimes, particularly where regulated entities have structured long-term investments around prior policy signals and decisions.[12] Failure to do so risks undermining regulatory predictability and discouraging future domestic investment.

In the context of the CAFE standard, these reliance interests are not speculative. Rather, they are grounded in concrete capital-intensive investment decisions made by vehicle suppliers in response to prior NHTSA and EPA standards and the regulatory trajectory those standards established. The Energy Policy and Conservation Act of 1975 (EPCA) directive that fuel economy standards reflect the "maximum feasible" level necessarily requires NHTSA to assess whether regulated entities relied on prior agency action when making long-term investments in manufacturing capacity, workforce development, tooling, and R&D.[13] This obligation applies particularly when suppliers have made multi-year, irreversible investments premised on regulatory continuity and coordinated federal programs. Accordingly, in finalizing this rule, NHTSA must expressly acknowledge and evaluate supplier reliance interests as part of its feasibility determination and explain how the proposed changes appropriately account for those investment-backed expectations.

For suppliers, these reliance interests are not theoretical. Tooling, validation, and production investments often span 5-10 years and are amortized across anticipated production volumes. Abrupt changes to curve shape, credit availability, or compliance mechanisms after these investments are sunk materially increase the risk of stranded capital, particularly for Tier 2 and Tier 3 suppliers with limited balance sheet flexibility.

d. Suppliers Support Continued Progress in the Standards

MEMA supports year-over-year increases in the stringency of the standards starting in MY 2022 through MY 2031. Continued progress in the standards is important to strengthen the

[12] *See, e.g., Encino Motorcars, LLC v. Navarro*, 579 U.S. 211, 222-23 (2016) (noting that when an agency changes course it must "be cognizant that longstanding policies may have 'engendered serious reliance interests that must be taken into account'").

[13] *See* 49 U.S.C. § 32902(a) (requiring that CAFE standards be set at the "maximum feasible average fuel economy level," considering technological feasibility and economic practicability).

supplier sector – the largest manufacturing sector in the United States, representing over 930,000 jobs. The light vehicle supplier sector has continued to grow, adding jobs due to growth in transmission, powertrain, battery, and semiconductor technologies.[14] Overall, 61,000 jobs have been added since 2015, a testament to the suppliers' dedication to developing and producing advanced technologies in the United States.

As noted in the opening to this document, stagnation, or minimal improvements in the fuel economy standards, will have negative impacts on continued supplier growth, as well as the role of the U.S. as a leader in technology deployment. Suppliers operate in a global landscape and compete in foreign markets. The U.S. is currently uniquely positioned to drive advances in fuel-efficiency technologies. If the U.S. were to adopt drastically relaxed fuel economy standards, it would increase the likelihood that development of these technology improvements will shift to other markets. This shift occurs when suppliers do not have the certainty that the technology is needed in the U.S. market, causing centers of innovation to be established outside of the U.S. For example, Chinese automaker BYD exceeded Tesla in global battery electric vehicle (BEV) sales for the first time in 2024.[15]

The CAFE program has long provided the supplier industry with stability to guide economic and technology decisions. Consequently, MEMA encourages NHTSA to ensure that the U.S. remains a global leader in fuel efficiency technologies.

Further, MEMA strongly supports regulatory stability through a federal regulatory program which ensures that produced vehicles are available for sale in all jurisdictions. Anything that falls short of an aligned set of standards will fail to provide the long-term planning stability which suppliers require to make the business and technology investment decisions to meet the MYs 2022-2031 standards and beyond. Regulatory stability across all U.S. jurisdictions ensures that the full portfolio of vehicle technologies is available to consumers no matter where they reside. MEMA encourages NHTSA to continue to work with other federal agencies to ensure that regulations support maximum consumer choice as well as domestic manufacturing.

IV. Feedback on SAFE Vehicles III NPRM

a. Proposed Alternatives

MEMA has evaluated the four alternatives proposed in the NPRM (including the no-action alternative) to determine the best pathway to preserve long-term supplier investments, jobs, and U.S. leadership. MEMA has concerns with the stringency levels of the alternatives outlined, and their potential impact on supplier investments.

As noted above, MEMA expressed concerns about the stringency levels that were adopted and finalized in 2024. However, the alternatives proposed in the current NPRM provide minimal fuel economy improvements, which will negatively impact continued supplier

[14] *See* MEMA Employment Study, supra note 4.
[15] *The Global Automaker Rating 2024/2025- Who is leading the transition to electric vehicles?* ICCT, (2025).

employment and investment growth, stagnate U.S. technological leadership, and may isolate the U.S. market from global export. At a minimum, Alternative 3 will offer the most improvement in fuel economy.

Evaluation of NPRM Alternatives and Supplier Impacts

From a supplier perspective, the differences among the proposed alternatives are not merely differences in aggregate fuel economy outcomes, but differences in technology deployment signals, investment recoverability, and supply chain continuity. Vehicle suppliers evaluate alternatives based on whether expected deployment volumes are sufficient to justify upfront capital expenditure, whether investment recovery horizons align with the useful life of a product asset and tooling, and whether the compliance curve provides sufficient predictability to support long-term planning.

Also important is the usability of credits under each alternative, including whether credits remain available, transferable, or durable over the investment cycle for technologies that suppliers are expected to develop and scale. Alternatives that reduce uncertainty around deployment volumes, preserve credit usability, and maintain a stable and predictable compliance trajectory are more feasible for suppliers than alternatives that achieve similar nominal stringency through sharper curve inflections, credit removals, or late-cycle compliance compression.

No Action Alternative – As noted above, MEMA expressed concerns with the 2024 final rule in its comments on behalf of the supplier industry, citing the need for a final rule that was technology-neutral and provided manufacturers with adequate lead time. MEMA also expressed concern with the stringency levels that were outlined in the proposal, highlighting concerns with infrastructure deployment to support the transition to alternative fuel vehicles. Since the publication of the 2024 final rule, suppliers have seen their customers begin to adjust their technology mixes to respond to market realities and policy shifts. While electric vehicle sales in the U.S. are still on the rise, the projected outlook falls short of previous predictions, making it difficult for the overall mobility industry to meet the 2024 standards, while supporting consumer preferences.[16]

Alternative 1 (Lowest Stringency) – Reduced stringency and a flatter compliance trajectory would slow demand for fuel saving technologies that are already in the advanced stages of development. For suppliers, this creates a deployment gap in which R&D investments made in anticipation of continued incremental stringency cannot be fully recovered through production volumes. Tier 2 and Tier 3 suppliers, which often supply enabling components rather than complete systems, would be particularly at risk.

Alternative 2 – This alternative would retain the defined compliance trajectory and continue to rely on incremental technology deployment. However, by moderating the rate of

[16] *See Global Electric Vehicle Sales Set for Record-Breaking Year, Even as US Market Slows Sharply*, Bloomberg NEF Finds (Jun 18, 2025) (https://about.bnef.com/insights/clean-transport/global-electric-vehicle-sales-set-for-record-breaking-year-even-as-us-market-slows-sharply-bloombergnef-finds/).

improvement without preserving sufficient curve predictability, Alternative 2 would weaken the market signal needed to sustain supplier investment in efficiency technologies, e.g., lightweighting materials, thermal management, advanced driveline components.

Alternative 3 – While not without concerns, this alternative would better preserve continuity with prior planning assumptions and provide a clearer demand signal for suppliers across powertrain systems. Importantly, Alternative 3 would align more closely with the investment cycles already underway pursuant to the 2024 final rule. Improvements in fuel economy have been an important trend for the last 20 years, with the average new vehicle fuel economy increasing by 40 percent, even as both vehicle weight and footprint have increased by 6 percent.[17] The oil price shock of 2008 renewed interest in the CAFE program, further setting consumer expectations for improved fuel economy.[18] As noted in the *Automotive Trends* report, manufacturers use a range of technologies to increase fuel economy, including advanced internal combustion technologies, such as turbocharged engines, or gasoline direct injection systems. Suppliers work with OEMs to develop technologies that meet increased fuel economy targets that best suit their design portfolio. Continuing to pursue the maximum feasible fuel economy improvements is in line with long-standing automotive trends that consumers have come to expect.

MEMA also encourages NHTSA to consider whether a **Modified Alternative 3 (Alternative 3+)**, which maintains the overall stringency trajectory while incorporating targeted flexibility mechanisms, could achieve a better balance between economic practicality and continued progress.

Importance of Curve Shape and Inflection Points

Beyond overall stringency, the shape of the fuel economy curve has implications for vehicle supplier investment decisions. Small changes in slope or inflection points can determine whether specific technologies are deployed broadly, delayed, or abandoned.

Suppliers invest based on expected deployment volumes across multiple OEM platforms. A steeper curve in early model years compresses deployment timelines, limiting suppliers' ability to scale production efficiently and increasing per unit costs. Whereas a more linear scale and progression support gradual scaling, workforce retention, and cost reduction.

For Tier 1 suppliers integrating complex systems, abrupt inflection points increase validation and integration risk. For Tier 2 and Tier 3 suppliers, which often operate on smaller margins and longer tooling payback periods, curve volatility can render otherwise viable technologies economically challenging.

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[17] *See* U.S. Environmental Protection Agency, *The 2024 EPA Automotive Trends* Report, EPA-420-R-24-022 (Nov. 2024) (https://www.epa.gov/automotive-trends/highlights-automotive-trends-report#Highlight6).
[18] *See* U.S. Department of Energy, Alternative Fuels Data Center: Maps and Data, https://afdc.energy.gov/data (last visited Feb. 2, 2026).

MEMA Supports Technology-Neutral Standards

MEMA recognizes that the alternatives proposed in the NPRM are the product of a different analysis, which does not recognize alternative fuel vehicles or the use of credits in its baseline.[19] MEMA has long supported maximum feasible standards that are technology neutral and provide manufacturers with sufficient lead time. Suppliers have invested significant resources in providing a wide range of technological offerings for consumers. For example, hybrid and battery electric vehicle production share has increased 23 percent, and production of new transmission types has grown by 50 percent.[20] Further, MEMA's data indicates that more than 74 percent of supplier employment supports components and systems that are deployed across multiple powertrain architectures, underscoring that suppliers invest in platform-agnostic technologies that depend on stable, technology-neutral regulatory signals rather than abrupt shifts toward or away from any single propulsion pathway.[21]

As NHTSA finalizes its standards, MEMA urges the agency to account for the EPCA statutory requirement to consider economic practicability and take a measured approach in evaluating the investments in both technological development and deployment, while ensuring the final standard is maximum feasible.[22] Such an approach would give the supplier industry increased stability to guide planning and investments, allowing domestic manufacturing to grow. MEMA requests that NHTSA include calculations related to economic practicability of stranded investment shifts that can arise without regulatory stability. Regulatory approaches that reduce domestic deployment certainty or lag commercial adoption timelines in other major markets may limit investment in U.S.-based R&D and reduce the competitiveness of U.S.-developed technologies in global markets.

MEMA welcomes the opportunity to engage with NHTSA and to discuss whether there are other methods to meet the goals of improving consumer choice and vehicle affordability, while also preserving supplier investments, jobs, and global technological leadership.

b. FCIVs Provide an Essential Path to Compliance

MEMA strongly supports the current fuel consumption improvement values (FCIVs) program and urges the agency to preserve and continue it. The FCIV serves as an important mechanism to account for the real-world fuel economy benefits in compliance calculations. The supplier community works independently, as well as in collaboration with OEMs, to develop technologies that can be utilized to provide real-world fuel economy improvements,

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[19] *See Resetting the Corporate Average Fuel Economy Program*, 90 Fed. Reg. 24,518 (June 20, 2025) (interpretive rule).
[20] *See* MEMA Employment Study, supra note 4.
[21] *See id.* (finding that a majority of supplier employment supports components deployed across multiple powertrain platforms).
[22] *See* Energy Policy and Conservation Act, Pub. L. No. 94-163, § 2, 89 Stat. 871 (1975). https://www.congress.gov/bill/94th-congress/senate-bill/622.

beyond what can be measured with standard test procedures.[23] Examples of technologies that may receive these credits include high efficiency alternators and 2-layer HVAC technology. The measurable benefits of FCIVs for off-cycle and AC efficiency technologies help drive further investment into innovative solutions that improve efficiency and provide a cost-effective option to achieve fuel economy. Assertions that customers categorically do not desire any off-cycle or AC efficiency technologies is not documented; in fact, thermal control technology packages that qualify for off-cycle credits, including active and passive cabin ventilation, active seat ventilation, glass or glazing, and solar reflective surface coating are all intended to provide a comfortable temperature inside the cabin and are well appreciated by consumers.[24]

MEMA urges NHTSA to continue and strengthen the FCIV credit program. Light vehicle suppliers have witnessed an increase in jobs which is inherently linked to growth in transmission, powertrain, battery and semiconductor manufacturing.[25] Ensuring that all technologies are accounted for in the rulemaking and compliance calculation process will incentivize the investments that have been made by suppliers and will allow the U.S. to continue to be a leader in technology innovation and economy growth. The continuation of these programs will sustain supplier jobs and spur further investments by providing certainty for technologies that may otherwise not be deployed.

Need for Regulatory Clarity Regarding Credit Treatment

MEMA is concerned that ambiguity in the NPRM regarding the treatment of AC efficiency and off-cycle FCIVs creates uncertainty for supplier planning. While portions of the preamble suggest changes are limited to modeling assumptions, other language could be read to imply future limitations on credit availability for compliance.

Suppliers rely on clear, enforceable credit rules to justify continued investment in technologies whose benefits are realized in real world driving but not fully captured by test cycles. Absent explicit clarification that credits will remain available for compliance purposes consistent with EPA regulations, suppliers may delay or cancel planned investments in these technologies.

MEMA respectfully requests that NHTSA explicitly state in the final rule that any proposed changes to credit treatment are limited to analytical modeling and do not alter credit eligibility or use for compliance, absent future rulemaking.

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[23] As noted in the *2024 EPA Automotive Trends Report*, off-cycle technologies are widely utilized for compliance by manufacturers. In Model Year 2023, the industry achieved 8.6 g/mi of off-cycle performance credits. All manufacturers that qualified for the GHG program reported off-cycle credits to some extent for Model Year 2023.
[24] *See 2025 Jeep Wrangler Updates*, Huffines Chrysler Jeep Dodge Ram Plano (Oct. 8, 2024), https://www.huffineschryslerjeepdodgeramplano.com/blog/2024/october/8/2025-jeep-wrangler-updates.htm ; Nissan Motor Co., *Cool Paint Technology*, https://www.nissan-global.com/EN/INNOVATION/TECHNOLOGY/ARCHIVE/COOL_PAINT/ (last visited Feb. 4, 2026).
[25] *See* MEMA Employment Study, supra note 4.

The FCIVs program is not a loophole, and does not distort the market, but instead provides a cost-effective means to recognize improvements from technologies that are not accurately measured by the existing test cycles. Suppliers lead the development of these technologies and have made significant R&D investments, which will be lost if the program is not maintained. Ideally, the program would be improved and expanded to allow for greater, cost-effective technology variation, and increasing access to affordable vehicles.

MEMA encourages NHTSA to recognize the importance of these technologies in providing manufacturers with flexibility to meet the goals of the CAFE program, and in moving forward all powertrain options.

c. Support for Continuation of the Credit Trading Program

Further, MEMA is supportive of the current trading program because it allows manufacturers to make strategic decisions about applying the best compliance solution for their unique products. Credit trading is an important, market-based approach that guides investment in technologies. The trading program provides important flexibility for manufacturers, while supporting greater consumer choice.

d. Differentiated Impacts Across the Supplier Ecosystem

MEMA respectfully requests that NHTSA take into consideration the differentiated impacts of the CAFE program across the supplier ecosystem. The supplier industry is not monolithic, and the impact of the proposed rule could vary significantly by supplier tier, for example:

- Tier 1 suppliers – develop and produce complete systems. Tier 1 suppliers face increased validation and redesign costs when regulatory signals shift late in development cycles.
- Tier 2 and Tier 3 suppliers – particularly vulnerable to regulatory volatility. These suppliers often specialize in discrete components and materials, operate with narrower margins, and depend on predictable production volumes to recover tooling and capital investments.
- Aftermarket suppliers – are impacted indirectly through changes in fleet composition, technology complexity, and repairability, all of which influence parts demand and service requirements over the life of a vehicle.

MEMA urges NHTSA to explicitly consider these differentiated impacts when evaluating economic practicability and compliance flexibility.

I. About MEMA and its Members – Suppliers are at the Forefront of Innovation

Vehicle suppliers provide 77 percent of a new vehicle's value[26] and play an essential role in creating, mobilizing, and adapting global supply chains that support the mobility sector. Suppliers design and manufacture complex technologies and highly integrated systems that

[26] *See* Automotive Aftermarket Industry Analysis–2023, AAPEX Show (2023).

make vehicles more efficient, including emissions control technologies, alternative powertrain systems, and advanced safety technologies.

The supplier industry has continued to grow and has added 14,000 jobs since 2019. This growth has been driven in part by new North American Industry Classification System (NAICS) classifications linked to electrification and connectivity.[27] Many of these roles come from consumer and industrial firms moving into the e-mobility and connectivity markets.

Suppliers are at the forefront of technological development, anticipating the needs of OEMs and investing in technology solutions to meet emissions standards. To support this work, suppliers have committed significant resources in U.S.-based research and R&D, enabling technologies to be designed, prototyped, tested and validated domestically before being deployed in vehicles. These efforts are yielding measurable results: since 2019, hybrid and BEV vehicle production share has increased 23 percent,[28] while production of new transmission types has grown by 50 percent.[29]

Suppliers are some of the earliest movers to advance technologies that improve vehicle safety, fuel efficiency, and emissions reduction. As industry leaders, MEMA members continue to drive investment in new technologies and manufacturing facilities. A clear and consistent approach to regulation provides vehicle suppliers with the necessary confidence to sustain these investments and to plan for the future of innovative mobility solutions.

II. Conclusion

MEMA appreciates the opportunity to provide feedback on this critical rulemaking. MEMA and the supplier industry share the Administration's goal to enhance domestic manufacturing, strengthen U.S. leadership in advanced technology development and deployment, and support long-term economic growth. The supplier industry is a critical driver of innovation, job creation, and domestic investment. MEMA is proud of the industry's substantial footprint in the U.S. The motor vehicle supplier industry is at a critical point with investments in fuel efficiency technologies. MEMA member companies have emphasized the need for a stable, feasible, and technology-neutral standard that supports long-term business planning and encourages further innovation. A secure foundation will strengthen U.S. leadership and support the continued growth of the supplier community.

MEMA welcomes the opportunity to continue working with NHTSA as this proceeding moves forward. Please do not hesitate to contact Jennifer Lewis, MEMA Vice President of Regulatory Affairs, at jlewis@mema.org or Emily Sobel, MEMA Senior Manager of Regulatory Policy at esobel@mema.org with any questions or if the Agency would like additional information on any of the points articulated above.

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[27] *See* MEMA Employment Study, supra note 4.
[28] *See id.*
[29] *See id.*